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Executive Summary

KPEP has had an excellent Year 3. The team has performed extremely well—private-sector client confidence is positive in all sectors and the mid-year independent evaluation of the project returned excellent results, with praise for the approach, project management and team competence. Our partner ministries continue to view us as “ambassadors for the Kosovo economy.” KPEP and its staff enjoy particularly good working relationships with the ministries of Agriculture, Trade and Environment.

KPEP continues to exceed expectations across the headline cumulative targets. We have successfully brought up to target those indicators that were behind projection in Quarter 3, namely the number of enterprises assisted is now at 114% of our Quarter 4 target and full-time job growth now stands at 97% of target. (Note the latter represents the most challenging of targets.) In short, both represent significant improvements over KPEP’s Quarter 3 results. Sales, private sector investments and people trained all remain well over end-of-year targets, at 181%, 162% and 258%, respectively. The table below highlights these headline indicators from the KPEP PBMS.

Headline Indicator	Q4 Y3 Cumulative Target	Q4 Y3 Cumulative Actual
Increase in sales, million Euros	40.1	72.9
Increase in investment, million Euros	16.0	26.2
Increase in exports, million Euros	No target set	22.9
Increase in number of full-time jobs	4,031	3,925
Number of enterprises assisted in KPEP database	110	126
Number of business services providers (BSPs)	35	16
Number of people trained	2,500	6,466

During Year 3, KPEP mobilized significant resources under the Strategic Activities Fund (SAF) in support of private-sector growth, as highlighted in the table below.

Agriculture	€ 855,391.00	32%
Construction	€ 110,396.00	4%
Forestry	€ 15,113.00	1%
ICT	€ 59,392.62	2%
Other	€ 68,859.50	3%
Tourism	€ 65,274.43	2%
Recycling	€ 17,370.00	1%
WFD	€ 405,667.50	15%
Wood Processing	€ 187,860.00	7%
Short-term Work	€ 915,372.00	34%
TOTAL	€ 2,700,696.05	100%

KPEP mobilized these resources despite a 90-day cessation of grant approvals, due to a revision of the USAID environmental clearance process in early 2011. In addition to the initially contracted SAF, KPEP was granted and fully mobilized two additional funding tranches in support of short-term work and specific business-support activities for North Kosovo. KPEP channeled the total mobilization through 16 subcontracts and 68 grants, with 36% of funding targeting microenterprise activities. Of these activities, 43 drew a negative determination with conditions or greater, and required a full environmental report/EDD/PPA, depending on circumstances and geography, namely whether for Northern Kosovo (separate IEE) or Southern Kosovo. KPEP recruited additional staff to cope with both the additional burden on the SAF office and the resulting increased requirements for environmental compliance documentation. The **Dairy Sector** concentrated on working to improve the quality of milk received by processors; to develop new products in order to increase market share; to further introduce HACCP standards adoption by client dairies; and to deal with policy implementation. KPEP made excellent progress in each of the four objectives. Industry has now fully adopted the raw milk sampling program, with more than 1,000 samples undergoing collection each month from individual suppliers to commercial processors. Dairies now pay uniformly on quality and, for the

first time, the spring milk surplus was fully marketed. Combined, these two developments have lead to a significant increase in value-chain confidence. The first exports to Albania, which required extensive and high-level negotiations with the customs administrations, proved key to relieving the spring surplus and in opening a promising new market for Kosovo fresh dairy products. Strong promotion of local products resulted in increased consumption of Kosovo dairy products, with customs data indicating an impressive decline in imports by more than 10% over the year.

The **Poultry Sector** work achieved its target, with the broiler-producing client firm increasing its daily offtake by 50%, to almost five metric tons per day. The market for fresh broiler meat, which at the opening of Year 3 was in question, has been fully proven and the firm is moving ahead rapidly with additional investments to increase its daily offtake to in excess of 10 metric tons.

The **Fruit and Vegetable Sector** focused on increasing production, enabling collection centers to be fully functional and adding processing capacity to the sector. Additionally, KPEP targeted development of new markets and the improvement of business practices by aggregators and associations alike. Improvements to production practices generated significant results, with improved yields being observed in peppers, melons and watermelons. Test trials conducted in Year 2 underwent conversion to full commercial production, with exports to Switzerland taking place. Two seedling producers have stepped up seedling production; commercial confidence indicates demand for these improved technologies will more than double in 2012.

Interest by intermediaries in providing private-sector extension services has increased. All pack houses functioned as aggregation centers during the harvest season and farmers for the first time have seen the benefits both of aggregation and of the application of quality standards.

Grants to processors sparked a significant increase in process capacity, with KPEP's targeting peppers for the production of *ajvar* relish and preserved product. This improved capacity increased demand for fresh product from farmers, raised producer confidence and, going forward, suggested a more than doubling of commercial offtake during 2012. Responsiveness to commercial demand has been augmented by the change in legal structure for two associations, which have since registered as cooperatives and are able to actively trade.

New markets have been opened in both the U.S. and Europe, through attendance at critical fairs. KPEP client firms attending the Fancy Food Show in Washington, D.C. led to their winning at least two firm contracts for processed vegetables. Meanwhile, work with the Kelmendi distribution chain in Germany, as well as attendance at the Anuga food and beverage fair in Cologne, resulted in new opportunities for sales in Germany, Croatia and Scandinavia.

Additionally, Kosovo firms began exporting new pepper varieties to Switzerland.

The **Non Wood Forest Product Sector** (NWFP) focused this year on improving the capacities of collection operations, increasing linkages to international markets and working to develop new products and markets. As part of the improvement in capacity, KPEP actively supported the establishment of HACCP standards in three client firms, with two others currently involved in the process of establishing this certification. KPEP fostered new links to international markets through client attendance at international fairs, particularly BioFach, Germany's international organic trade fair. Sales of NWFP increased by 25% over the previous year. KPEP's efforts in Year 3 to reestablish the export market for wild chestnuts have yielded dividends, with an active contact in place for supply to a European buyer. The move toward cultivated medicinal and aromatic plants received a boost, with the visit of two high-profile buyers from Europe looking to increase significantly cultivated offtake. KPEP's establishment trials for raspberry production in the Strpce/Shtrpce region have paid off, with strong commercial interest in expansion to at least 30 new hectares in 2012 and 300 in total.

The **Forestry Sector** has continued to work at finalizing the Forest Stewardship Council (FSC) standards, which will put Kosovo forest management on an international standard. The standard development group completed its task during the year and we are still waiting for finalization of the process from the FSC in Bonn. KPEP has continued to prepare for the eventual approval of the national management standard by developing a standardized chain of custody (CoC) management guide for wood processors, which will ensure that Kosovo wood processors ultimately will be able to sell products into the European market. Additionally, KPEP has continued to work with two public forest management units in bringing their management up to the proposed new standard, in preparation for an external audit. This involved significant training in Kosovo and in Croatia, where the FSC standard already applies.

The **Wood Processing Sector** focused on developing new products for export, increasing penetration in regional markets, increasing firm-level management and business practices (including application of international standards) and strengthening the capacity of the wood processors association (AWPK). KPEP also supported the biomass energy sector in order to increase waste wood utilization. All client firms developed new products with a number of these entering the export market. Attendance at regional trade fairs has begun to yield results, with at least three new regional market penetrations this year. Kosovo product entered the Irish market and the number of inbound marketing visits increased significantly, indicating a move toward maturity for a number of clients. Local import substitution indications are encouraging, with a 20% improvement during this year. Business practices were improved at the firm level by a new management-training program, as well as at the association level, which now covers costs at a

50% level from membership. Three firms increased biomass output in Year 3 and demand continues to outstrip supply in this encouraging sector.

The **Road Construction Sector** focused on improving the quality of engineering graduates in road design, heavy equipment operators and welders destined for the construction sector. A very successful five-week course increased the road-design skills of 33 engineers, with KPEP working in collaboration with the University of Prishtina and the Texas Transportation Institute. The course was very well received and a follow-on course is in the process of finalization. KPEP finalized the welder's international certification training course at the KEK training center, as well as implemented the heavy equipment operators training course in collaboration with HeviCert USA. It has since graduated 34 internationally certified heavy equipment operators. Both courses are now set for sustainable inclusion in the training program run by the KEK training center.

The **Construction Materials Sector** focused its energy on establishing a licensing system for architects and engineers as well as on providing firm-level support for building materials manufacturers. After much discussion within the industry and with the Ministry of Environment and Spatial Planning, accomplished with the support of an international advisor, KPEP succeeded in establishing a new administrative instruction to facilitate the licensing of architects and engineers. The advisory board is currently being formed with the first examinations planned for 2012. KPEP worked with manufacturers in the clay, paint and metal fabrication sectors. The project provided grants and technical advice to these client firms, all of which have the capacity to significantly increase employment opportunities. KPEP also successfully organized all of Kosovo's clay industry firms so they now form a sub-association within the Chamber of Commerce.

The **Information Communication Technology Sector (ICT)** focused on the establishment of the Kosovo Internet Exchange point (KOSIX) as well as on stimulating the development of business process outsourcing (BPO) in Kosovo. The Internet exchange point successfully received funded from a consortium of donors as private sector players. It has since been established under the auspices of the Kosovo Telecommunication Regulatory Authority. KOSIX today is fully functional and serves all local Internet service providers, reducing costs, improving the speed of local Internet traffic and freeing up expensive international access bandwidth. KPEP has expended significant effort in increasing Kosovo's presence in the BPO market. The project undertook an exploratory market investigation in India. It also developed a marketing approach targeting German-speaking Kosovars, who are ideally and uniquely placed to offer BPO services facing German and Swiss-German clients. KPEP has continued to engage with

other donors in developing innovation and incubators for the ICT sector. These are in the process of establishment by year's end.

The **Tourism Sector** focused its energies on the promotion of integrated offers in the region of Rahovec/Orahovac, with the development of an innovative public-private partnership that invested in the town's own tourism information center. This involved galvanizing the interest of the region's private wine producers in diversifying their business by engaging in the tourism industry. This was facilitated by a regional study tour to Italy that proved extremely successful. The Rahovec/Orahovac wine tourism center and its associated strategy were fully established, with the local municipality and local private vintners providing more than 80% of the funding and KPEP providing the balance. This center has spawned a succession of independent tourist-related activities, including a new municipal-organized harvest festival now being held on an annual basis. The presence of Kosovo at international tourism events has increased global awareness of the country as a tourist destination; indeed, Kosovo has gained inclusion in a growing number of regional tours. Tourists hosted by KPEP clients have increased more than 700%, as have revenues. Meanwhile, job creation in this sector has increased by 300%. A new tourism association has emerged—KATA—which boasts a growing and active membership.

Recycling, while still a small sector has seen growth in two recycling products. KPEP has actively supported the PET recycling industry, supporting one firm to increase its collection and processing capacities. The project has also supported the paper recycling industry, specifically with technical assistance to support wastepaper recycling. Project support has led to the creation of 100 full-time positions.

Business Support Services continued to work with 16 associations, improving their management and measuring performance by application of a uniform measure—the Association Development Index. Association mentoring took place as well as direct support in the development of association business plans.

Work Force Development continued to focus on the expansion of the excellent internship and entrepreneurship programs that KPEP previously developed. As a result, more than 300 interns have been placed across many sectors with full-time placement exceeding 50%. KPEP's entrepreneurship program resulted in an initial group of 300 trainees being screened, a process that later concluded with the World Bank's CDF granting business plan funding to 32 participants. Specific training that targeted businesswomen benefitted 30 individuals.

KPEP's **Business Enabling Services** maintained its focus on providing event-specific support to sectors and was singularly successful in assisting in the removal of the trade barrier thrown up by Albanian customs that had blocked milk exports. BEE has continued to be the point of contact

for other development agencies seeking feedback from the private sector. Close linkages have been maintained with all other USAID implementers as well as with other donors.

Finally, North Kosovo emerged as a new focal point for the project in Year 3, with the award of two additional project-funding increases. Utilizing a new team, KPEP successfully created short-term work opportunities that amounted to more than 30,000 work-days being paid to unemployed youth in troubled North Kosovo. This was carried out despite significant political tension and the threat of disturbance. Short-term work targeted activities of community benefit in all four municipalities, including the establishment of a unique short-term work opportunity in forest management, which required highly specific attention to environmental issues. KPEP used additional creativity in transforming quick employment methodologies into internships with the prospect of full-time employment, as well as the creation of a North Kosovo entrepreneurship program modeled on the successful campaign carried out south of the Ibar/Ibri River. In addition to short-term work opportunities, KPEP markedly stepped up its business support activities and small grants to business in North Kosovo.

Component 1: Increased Competitiveness of Key Sectors

Agriculture: Livestock

	SAF Budget Estimate	International STTA	Local STTA
Total planned	\$114,000	40 days	152 days
Committed this quarter	\$0	0 days	20 days
Total committed to date	\$158,000	0 days	40 days

Sector Strategy

The Year 3 sector strategy continued to emphasize the themes established for dairy in Year 2, specifically improving product quality through an intensified effort to improve raw milk quality. Doing so has a direct impact on the quality of the finished product. Critically, improved milk quality encourages producers to intensify production and adopt productivity-enhancing technologies. This leads farmers to see increased revenues from their production systems. KPEP's work in this sector continues to develop local milk product market awareness and aims to further decrease imports of fluid and processed dairy products.

This sector also introduced a new component: poultry, originally to include both chickens and turkeys. These livestock value chains are seen as underinvested and have enormous potential for expansion, import substitution and growth. The AgStrat document established during Year 2 calculated an import substitution opportunity for poultry meat of up to 36,000 metric tons per annum. Currently, market penetration by local producers is estimated to be less than 5%. The addition of poultry presents a clear opportunity for the livestock component to grow the local broiler sector, increasing growth, adding jobs and positively impacting the trade imbalance.

Livestock Industry: Dairy

Objective 1: Sustainable improvement in milk quality

Strategy

In order to stimulate the market for local milk products, it is first necessary to improve the quality of the finished product. Raw milk quality strongly influences finished product quality. The newly established raw milk quality laboratory within the Kosovo Food and Veterinary Agency (KFVA) provides independent testing of milk and milk products, with results that may be distributed to producers and processors through monthly reports. This system is public, transparent and neutral, which both dairy producers and dairy processors have widely accepted. Meanwhile, Administrative Instruction MA 20/2006 was meant to serve industry's quality determination needs. However, this decree is currently not being enforced, leading to uneven application of quality-related payments. For this reason, producers lack a uniform incentive to upgrade their production practices. Enforcement of this decree will promote improved raw milk quality by ensuring a uniform application of economic disincentives for substandard deliveries. It is felt that if farmers saw a more uniform application of incentives for quality—and perhaps, more importantly, a uniform application of *disincentives* for poor quality—they would be moved to upgrade their production practices. Such an upgrading of production practices would increase quality and yield. That in turn would have the direct effect of increasing farmer incomes. This assumption is based on work accomplished in year 2 with dairy interns. Their work showed that farmers with small herds who responded to upgrading opportunities increased their dairy incomes by 200 Euros per month, on average.

Benchmarks

- **KPEP anticipates this activity will result in an increase in the number of raw milk samples analyzed at KVFA's raw milk laboratory, with field personnel collecting at least 1,000 samples per month. (Achieved)**

4th Quarter Progress

Raw milk quality improvement depends on uniform enforcement of the milk quality decree. The Ministry of Agriculture, Forestry and Rural Development (MAFRD) is responsible for enforcing the milk quality decree but it does not regularly monitor its enforcement. As a result, there were no financial incentives for dairy farmers to improve the raw milk quality. During this quarter the board of transparent raw milk sampling project established a team composed from the officials of MAFRD, KFVA, Kosovo Association of Milk Producers (KAMP), Kosovo Dairy Processors Association (KDPA), Swiss Labor Assistance (SLA) and KPEP to regularly monitor enforcement of the milk quality decree.

3rd Year Progress

The public raw milk-sampling project reached its target by collecting and analyzing on average more than 1,200 raw milk samples a month. On February 1, 2011, field agents started collecting raw milk samples from commercial dairy farms and then submitting the raw milk samples to the KVFA raw milk laboratory for analysis. So far, the KFVA laboratory has analyzed more than 10,000 raw milk samples collected from farms. The analysis initially found problems with raw milk quality. To address these problems, the project coordinator initiated an activity, utilizing field officers, to deliver detergents to 200 dairy farmers and advise them on proper milking and cleaning procedures. The results were impressive: After receiving the cleaning agents, 145 dairy farmers moved upward on average one class. However, with the exception of two dairy plants, no other dairies have chosen to financially reward their farmers for any improvement given the lack of implementation of the milk quality decree, particularly in those seasons when raw milk was in short supply.

- **Bar code system on milk samples introduced and adopted by both processors and producers. (Achieved)**

4th Quarter Progress

During this quarter, field agents from the raw milk sampling project, acting on a request from the KVFA's animal identification and registration unit, also gathered dairy farm holding numbers, (identification of farms by unique numbers) and contact information. The KVFA will insert the contact information in the intertrace software, which will enable electronic delivery of raw milk test results.

3rd Year Progress

The software was developed and installed at the KFVA raw milk lab. Andrew James, a database design consultant with the European Union's Animal Identification, Registration and Movement Control project, developed the software. The software consolidates the results from three different files into one Excel spreadsheet. The file containing those consolidated results may then be sent as an e-mail attachment to the coordinator of the transparent raw milk-sampling project, who can then insert the farm and milk buyer name for each milk sample. Next, the identification and registration system automatically imports these consolidated results and stores them in the database. The results for each imported sample are then immediately sent to the relevant milk buyer, by e-mail, and to the producer, by SMS and/or e-mail, depending on the preferred method of contact provided.

- **At least 40% of farmers sampled see an improvement of at least one quality grade. (Achieved)**

4th Quarter Progress

Due to raw milk shortages during this quarter, field agents faced challenges in motivating farmers to buy detergents and to implement proper milking procedures since dairy plants were not paying the financial rewards called for under the milk quality decree.

3rd Year Progress

Apart from collecting raw milk samples, the field agents also conducted overall inspections of those farms that had problems with raw milk quality. The field agents identified sources of possible contamination, evaluated the cleanliness of both the dairy cattle and equipment and observed milking in progress. As result, over the life of the project, more than 500 of the 800 dairy farmers supplying milk samples received practical on-the-job training in proper milking procedures. This brought those farmers within the standards set by the milk quality decree. Overall, the KFVA raw milk laboratory reported test results that showed an improvement in milk quality, in comparing current year data with 2010 data. With respect to somatic cells counts (SCC), approximately 40% of raw milk samples moved up a class, while bacteria counts dropped enough to show a 20% improvement, according to the KFVA.

- **The additional income of these farmers is at least 140 Euros per year per animal milked. (Achieved)**

As a result of the milk quality control program, an additional 90 dairy farmers, or 12% of those dairy farmers delivering their milk through commercial channels, are receiving a price 15% higher than the base price, thus increasing their incomes by an average of 180 Euros annually per animal milked. An average farm with 10 cows will earn 1,800 Euros annually or 150 Euros per month.

One challenge in making additional improvements comes with breakdowns to the milk testing equipment, which can take weeks and sometime months to service and fix. That causes interruptions in the milk testing system and in turn impacts dairy farmer income.

Livestock Industry: Dairy

Objective 2: Improve quality and variety of dairy products

Strategy

The biggest challenge for dairy processing plants at this point lies in improving the range and quality of dairy products. Presently, Kosovo lacks the capacity to develop new products, product formulations and processes. Dairy plants often import labor and expertise from elsewhere in the region, particularly Macedonia and Bulgaria. This objective seeks to institutionalize the required expertise for ongoing product development within processing firms.

Benchmarks

- **Four dairy technologists and one private dairy consultant trained. (Achieved)**

4th Quarter Progress

This activity was completed in the second quarter.

3rd Year Progress

Five dairy technologists from five different dairy plants attended a dairy technology-training program, held at various Minnesota dairies and at the University of Wisconsin, from March 20 through April 2, 2011. The training program allowed local dairy technologists to acquire the needed knowledge to upgrade their skills in producing yellow cheeses and fruit yogurts. These skills will help them to manufacture substitutes for currently imported dairy products and increase sales for their employers. The training program was well designed and well implemented. The program offered the group the opportunity to work with University of Wisconsin cheese technologists and students on the cheese-making process. Participants learned how to make Gouda and Colby cheese with seasonings, including wine and apple flavors. The group also learned how to make fruit yogurt. As result of the training, KPEP clients will develop two new dairy products by the end of 2011.

- **A measurable increase in product shelf life of products from target firms. (Achieved)**

4th Quarter Progress

At the Kabi dairy plant, STTA Dragi Mihajlov provided a new formula for producing sour cream with a 30-day shelf life and improved taste compared to sour cream manufactured using a previous system, which had only an eight-day shelf life.

3rd Year Progress

STTA Mihajlov also advised the Kabi, Euroлона and Rugova dairy plants on the adoption of Good Manufacturing Practices (GMP) to improve the hygiene control. Improving the hygienic conditions leads to improvements in product shelf life. GMPs lie at the foundation of all food safety programs and represent the starting point for eventual HACCP certification.

- **A measurable improvement in milk conversion ratios in target firms. (Achieved)**

4th Quarter Progress

The STTA enabled modifications to white cheese formulations at three dairy processors. The Kabi, Euroлона and Rugova dairy plants now produce a higher quality product at a lower cost,

with milk-to-cheese conversion ratios improved to 2 liters of milk per 1 kilogram of cheese, marking a reduction of 1.5 liters.

3rd Year Progress

The dairy sector remains extremely competitive, which makes lowering production costs a necessity. KPEP engaged a regional dairy consultant to assist dairy processors not only to assist with the HACCP implementation process, but also to improve the cheese manufacturing process and lower production costs, primarily through an improved milk-to-cheese conversion ratio. Improved technological processes, as well as improved raw milk quality, have both helped in this regard. A cheese specialist assisted the Kabi, Euroлона and Rugova dairy processing companies to improve their soft white cheese yield while lowering their production costs through an improved milk-to-cheese conversion ratio. The standard had been 7.5 liters of milk per kilogram of cheese. The improved cheese-making process now uses just 6 liters of milk per kilogram of cheese. This allows dairies to produce 167 kilograms of soft white cheese from 1,000 liters of milk, or an improvement of 34 kilograms of cheese per day, worth 119 Euros, at no additional cost.

- **At least two new dairy plants HACCP certified. (In Progress)**

4th Quarter Progress

During this quarter, a HACCP expert provided instructions on how to implement the appropriate sanitary dressing and process-control procedures to prevent contamination of dairy products and to properly apply decontamination and antimicrobial intervention treatments to those products. In addition, the Kabi and Rugova dairy plants received traceability documents.

3rd Year Progress

Kosovo's dairies represent a potential export-oriented industry in the near future. To export, dairy operators must first meet existing regulations issued by the government authorities in those countries to which they wish to export. KPEP is working with two dairy plants, Kabi and Rugova, to assist them in acquiring HACCP certification. Due to delays in manufacturing new dairy equipment for the Kabi dairy plant, as well as some additional construction work to take place at the Rugova dairy plant, HACCP certification inspectors will be invited to certify both firms in the last two weeks of November.

- **At least two new dairy products introduced to the market by target firms. (In Progress)**

4th Quarter Progress

The Sharri dairy plant has signed a contract with CDF to receive a grant of 10,000 Euros. Sharri will use the grant to defray the 21,000 Euro cost of a cheese vat for making seasoned Gouda cheese. The custom-made vat should take 60 to 70 days to manufacture. Additionally, several dairy produces should begin introducing fruit yogurts in November.

3rd Year Progress

As result of the U.S. dairy technology-training program, the Rugova dairy plant has developed and produced a wine-flavored Gouda cheese. The product is currently undergoing 90-day ageing and is not yet being sold. The Devolli company is building a new dairy plant, complete with a new fruit yogurt line, representing a 1 million Euro-plus investment. Additionally, the Euroлона dairy plant has purchased a fruit yogurt line, which it plans to install in late November.

Livestock Industry: Dairy

Objective 3: Improve product marketing and business relationships

Strategy

Consumption of imported milk products continues to limit demand for local dairy products. Quality concerns, both real and perceived, drive consumer choice. For this reason, it is therefore critical that the improved quality of local dairy products be promoted effectively. This can be supported by dairy industry marketing campaigns, increased presence of store brands, and increased use of contracts with retailers. Schools represent a productive place to promote dairy products, as children in Kosovo fail to choose nutrient-rich foods, including milk, given their often-poor eating habits.

Benchmarks

- **Dairy imports will decline by at least 2 million Euros during the 12-month period starting October 1, 2010, and ending September 30, 2011, reflecting an increase in market share by domestic producers. (Achieved)**

4th Quarter Progress

During this quarter, the demand for local dairy products increased due to reciprocity measures applied by the Kosovo government that restricted imports of Serbian milk and other products. Currently, local dairy processors face shortages of raw milk.

3rd Year Progress

Kosovo Customs data show that dairy product imports fell by 2.83 million Euros, or 10.6%, from October 2010 through September 2011, when compared to the same period a year earlier. The decline is in part attributable to improvements in both raw milk and finished product quality; the introduction of new dairy products; and increased consumer awareness of local dairy products thanks to KPEP's successful organization of a dairy marketing campaign. Its goal was to create a spike in consumption and to increase the competitive position of Kosovo's dairy products. The World Milk Day education and awareness campaign saw billboards splashed across 15 locations throughout Kosovo, along with smaller point-of-sale promotional activities. All national media publicized the event.

- **Increase of 1.5 million Euros in farm gate value of sales of dairy products. (Achieved)**

4th Quarter Progress

During this quarter, Kosovo dairy farmers faced difficulties addressing sharp changes in demand and supply situation in Kosovo, due to external and seasonal factors. The reciprocity measures toward Serbia increased demand at the end of July. However the supply decreased due to the heat stress. From June through mid-July there was a surplus of milk as the result of lower demand and increased production due to the outdoor pasturing of cows. To fill this gap, KPEP assisted the Bylmeti dairy plant in identifying a market for pasteurized milk in neighboring Albania, where it could be exported for further processing. Bylmeti exported 130,000 liters of

pasteurized milk to Albania during this quarter. As a result, for the first time ever there were no complaints from dairy farmers about the inability to market their seasonal milk surplus.

3rd Year Progress

According to Performance Based Management System (PBMS) data, KPEP dairy clients saw increased sales of more than 1.2 million Euros in the 12 months through September 2011, when compared to same period last year.

- **At least 20,000 school children benefit from the school milk promotion drive during 2011. (Partially achieved)**

4th Quarter Progress

The Lara Facebook fun page received 6,407 post views and 692 likes during this quarter.

3rd Year Progress

Kosovo's six largest elementary schools held a dairy educational program. More than 1,000 fifth grade students attended the hour-long dairy educational program. They received informational flyers and "Lara"-branded notebooks for participating. In addition, a Lara Facebook fun page was established for use by children and their parents alike. The page has received more than 8,096 likes, roughly 16,40 post views and around 400 feedbacks.

Livestock Industry: Dairy

Objective 4: More effective dairy policy

Strategy

The application of local and regional policies impacting the dairy industry remains critical to the growth of the sector. The Dairy Policy Working Group can have a positive impact on the Government of Kosovo in adopting domestic and trade policies consistent with existing trade agreements such as CEFTA and WTO regulations, through public-private dialogue. Adoption will further strengthen the dairy sector.

Benchmarks

- **At least one trade policy impacting the dairy sector adopted by the Government of Kosovo. (Achieved)**

4th Quarter Progress

During this quarter, KPEP met with the Minister of Trade and Industry, Mimoza Kusari, to follow up on her support for adopting the administrative instruction for dairy products identity standards. KPEP requested that the Government of Kosovo should once again reconsider adopting the Administrative Directive (AD) drafted by KPEP. Last year, the AD last year was sent to the European commission liaison office (ECLO) for review and clearance. The ECLO rejected the AD, saying it was not in line with EU legislation. Minister Kusari informed KPEP that the MTI is working on an antidumping law and will examine whether it can incorporate some of the AD provisions into the new legislation.

3rd Year Progress

Thanks to KPEP's initiative and support, Kosovo and Albania are implementing a bilateral trade agreement. The Albanian authorities did not honor the transaction value of 0.25 Euros per liter during the export of pasteurized milk to Albania but instead Albanian customs authorities imposed an arbitrary reference price on the imports of 0.55 Euros per liter. Initially, Albanian authorities denied Customs has imposed such a price. KPEP then presented firm documentary evidence of the practice, which led to further discussions between Kosovo and Albania officials, eventually leading to resolution of the issue. That allowed Kosovo dairy producers to continue exporting pasteurized milk to Albania, opening a new sales opportunity for their summer milk surpluses. Such surpluses have been common over the last five years, which, given the liquidity problems faced by Kosovo's dairy plants left them unable to finance stocks of processed dairy products. As a result, processors reduced and often ceased collection of raw milk. This year, for the first time ever, dairy plants have no quantity restrictions on their collection of raw milk. Indeed, Bylmeti, a KPEP dairy processing client, established a market agreement for the export of pasteurized milk to Albania, where local dairies traditionally cannot keep up with demand during the spring and summer tourist season. Bylmeti began exports of pasteurized milk in June, with KPEP's providing risk buy-down support of 0.05 Euros per liter, up to a maximum of 60,000 liters. Exports ceased in August, after 130,000 liters had been shipped, due to a spike in local demand for dairy products, following an embargo on Serbian milk and other products.

Livestock Industry: Poultry

Objective 1: Expand poultry sector in Kosovo

Strategy

Imports of inexpensive, frozen chicken dominates the poultry sector in Kosovo. The market for chicken is very price sensitive. Reducing dependency on lower-priced and lower-quality imported products will require a combination of improved productivity by the large broiler producers and at the same time an effective marketing effort to bring “local produce” into the minds of consumers. KPEP will work to improve local broiler production, paying particular attention to cost efficiencies and product quality. It is anticipated that the project will work with at least the principal broiler producer to increase and improve production. This may involve expanding production reach to smaller out-grower units as demand exceeds the firm’s current internal production capacity. This objective includes work with broilers as well as introducing commercial turkey production. Effective implementation of this strategy will have the effect of reducing dependence on imported poultry products, increase sales of locally produced product, increase jobs and reduce the trade imbalance.

Benchmarks

- **Konsoni broiler sales will increase by at least 50%, from 1,500 to 2,250 birds per day. (Achieved)**

4th Quarter Progress

KPEP signed a contract with Zef Pjetri, owner of the Konsoni poultry company, to purchase refrigerators for placement in retail stores that market fresh poultry meat. Additionally, KPEP suggested producing biogas from poultry waste to offset the cost of energy needed to heat the broiler barns. Also during this quarter, the Aves Prom broiler company in northern Kosovo completed, with KPEP support, construction of a modern broiler farm, with a capacity 4,300 birds per cycle, which will help to increase the supply of fresh poultry meat in Kosovo.

3rd Year Progress

Low-cost imports from Brazil and the U.S., along with low purchasing power, represent some of the biggest obstacles for poultry meat sector growth in Kosovo. However, consumers have proved more willing of late to pay a premium price for fresh poultry meat. That has opened the door for local producers to jump in and grab a larger share of the market. In 2010, Kosovo imported 26 million Euros' worth of poultry meat. Meanwhile, Kosovo covers just 3% of its demand for poultry with domestically produced birds. Together, this demonstrates there is huge opportunity for local growth in this sector. Konsoni, the largest broiler production and processing company, began operations in 2008 with a slaughtering capacity of 1,000 birds per day. Today, it slaughters 3,000 birds a day, or 1 million birds (2,000 metric tons) a year. Currently, with EC rural grant scheme support, Konsoni is setting up a new broiler slaughtering line with a daily capacity of 6,000 birds, or 2 million birds annually. Further development will stimulate the need for broiler out-grower capacity development.

- **At least three lead farmers begin turkey production with identified end markets for first year product. (Dropped)**

There was no interest among poultry farmers to grow turkeys for commercial purposes therefore this activity was dropped.

Agriculture: Fruit and Vegetable

	SAF Budget Estimate	International STTA	Local STTA
Total planned	\$200,000	24 days	100 days
Committed this quarter	\$37,002.00	0 days	0 days
Total committed to date	\$762,344.26	0 days	0 days

Sector Strategy

The strategy for the sector in Year 3 will focus on targets of opportunity that will potentially result in significant project-related results in the near term. This will require focus mainly on existing clients, particularly resolving constraints to expansion that exist through the value chain. It is clear that markets exist for Kosovo fruit and vegetable products in the raw state, and that these markets require increased volumes of reliable quality product. Attention will be paid to increasing production, especially in the early season, as well as to better quality regulation at the collecting centers. Too much burden has been left in the hands of individual farmers to guarantee a consistent quality end product. Moreover, there appear to be some opportunities to increase the sales of processed fruits and vegetables. Activity this year will focus on enhancing capacities and market linkages to capitalize on these opportunities.

KPEP worked closely with the AgStrat Team, whose members conducted their assessment and strategy design from the fall of 2009 to the spring of 2010. As a result, KPEP has in depth knowledge of the goals of the strategy and the programming that aligns with it. In the summer of 2010, USAID released a Request for Proposal for the NOA (New Opportunities for Agriculture) project. KPEP anticipates that this project will begin in the first quarter and will work closely to ensure coordination and eliminate any potential overlap. In terms of KPEP's agriculture work, the sub sector with the most relevant overlap is Fruit and Vegetable. KPEP will not initiate any new activity with crops recommended under the AgStrat study. However, KPEP has and will continue to respond to requests from current clients who might wish to plant an AgStrat-recommended crop, such as gherkins.

Fruit and Vegetables

Objective 1: Improve fruit and vegetable production

Objective Strategy

Existing production capacity and markets (both domestic and international) make fruit and vegetable production an important value chain in Kosovo. Multiple donor interventions continue to enhance production technology. KPEP will continue to work with targeted sub-sectors to increase productivity, develop new profitable market linkages and expand production, all with the goal of increasing jobs, growth and exports. KPEP will increase its collaboration efforts at the implementer level in this sector to increasingly leverage resources and synergize activity across donors, where possible. Interventions include the introduction of new varieties and production technologies as well as support for processors and exporters via new technology aimed at the improving marketability of fruit and vegetables. Moreover, new models of extension delivery that use sustainable and innovative private sector methods will be explored.

Benchmarks

- **At least 10 farmers will begin new hybrid variety cultivation previously demonstrated through pepper test trials in Year 2. (Achieved)**

4th Quarter Progress

Nothing to report during this quarter.

3rd Year Progress

KPEP supported 10 Perdrini Association farmers in planting five hectares with new hybrid pepper varieties by providing mulch, drip irrigation systems and an agronomist's advice. The Hosa Fresh vegetable collection center in Rogova (Gjakova) exported the first 80 metric tons of the new pepper varieties, Cecej and Cila, to Switzerland.

- **At least five hectares of hybrid peppers produced with a commercial off take of 200 MT. (Achieved)**

4th Quarter Progress

Perdrini farmers delivered more than 200 metric tons of these varieties to Elkos hypermarkets.

3rd Year Progress

Cecej and Cila represent the first pepper varieties planted in open fields in Kosovo under an effort to move away from traditional ways of pepper cultivation toward newer hybrid varieties dedicated for specific markets. The yield of these new varieties was 80 metric tons per hectare, compared to the traditional “somborka” variety that, while similar, has a far lower maximum yield of just 40 metric tons per hectare. All harvested peppers were delivered fresh to Elkos hypermarkets.

- **At least one new greenhouse seedling producer will enter the market for field vegetables. (In progress)**

4th Quarter Progress

Las Pallmas is in the process of adding another 0.30 hectares of nursery greenhouse space for the cultivation of seedlings, utilizing a KPEP grant that covers part of the total investment.

3rd Year Progress

Las Pallmas is increasing its greenhouse capacity to about 0.50 hectares. The company is establishing a machinery center separate from its planting, germinating and growing operations.

- **At least 50 new hectares of plastic mulch will be applied, extending the length of the season for tomato, pepper and watermelon production. (Achieved)**

4th Quarter Progress

Nothing to report

3rd Year Progress

Perdrini farmers cultivated more than 50 hectares with the application of mulch and drip irrigation systems. This system was applied in open fields, doubling the yield of melon and watermelons—up to 80 metric tons per hectare. Due to surplus production, watermelons destined for export were instead delivered locally to Elkos hypermarkets, which absorbed the balance of the watermelon harvest. While watermelon price were low, due to a doubling in production, farmers still sold their entire crop.

- **At least five input suppliers will begin providing extension services to grower clients, supported by local consultants as well as interns. (In progress)**

4th Quarter Progress

The agronomists continued to deliver advice to farmers, vegetable collection centers and processing companies. Three agriculture students shadowed them during their field assignments. The agronomists reported their field findings to the Etlinger, Bashkimi and Hosa Fresh companies. The interns prepared a presentation for KPEP about their experiences in the field.

3rd Year Progress

KPEP continued to engage both agronomists as well as interns. KPEP did not find an input supplier to assume the agronomists' delivery of advice to farmers and companies. Accordingly, KPEP no longer had agronomists report to the project. This year, they began reporting directly to companies and collection centers about their field activities. In 2012, KPEP will assign the engagement of agronomists to companies or input suppliers.

- **At least one seedling producer will begin automated seedling grafting and supply these to the market. (In progress)**

4th Quarter Progress

KPEP awarded a grant to Fidanishtja e Godancit, a new nursery company, a robotic grafting machine, allowing it to implement the latest technology in producing seedlings.

3rd Year Progress

Fidanishtja e Godancit further invested in building a nursery greenhouse, which is expected to be ready for seedling planting in advance of the 2012 planting season.

- **At least one mushroom cultivation farm will begin operation. (In progress)**

4th Quarter Progress

Nothing to report

3rd Year Progress

Nothing to report

- **At least one company will enter commercial sterilized compost production for mushroom production. (In progress)**

4th Quarter Progress

KPEP continued work on helping clients secure funds to establish a unit for the processing of the compost needed to commercially cultivate Shiitake mushrooms. Under the system, King Mushroom would deliver compost to farmers and receive in return cultivated mushrooms that it could then sell in EU markets.

3rd Year Progress

King Mushroom is a private company seeking to cultivate *eringi* (oyster) mushrooms at facilities in Joshanica (Klina) that are now 80% complete. Once King starts growing *eringi* mushrooms, a variety now imported into Europe from China, KPEP will continue to leverage funds to help it establish a compost production facility that could conceivably provide additional work and income for more than 100 farmers.

- **At least 80 new semi-skilled jobs will be created in the mushroom sector. (Not achieved)**

4th Quarter Progress

Nothing to report

3rd Year Progress

Nothing to report

Fruit and Vegetables

Objective 2: Make collection centers fully operational

Objective Strategy

Collection centers form a key component of the vegetable sector. Small growers must be able to deliver field harvest to a processing center, where quality is controlled and the produce can be packed and stored appropriately. Four collection centers have received support to date. It is critical that these centers be fully functional for the next season's harvest. Where necessary, KPEP will work with centers to enhance their operations and contracting guidelines to further enhance farmer relationships.

Additionally, there exists a need for the collection centers to take additional control of quality and it is anticipated that KPEP will be able to encourage each center to install appropriate grading table structures during Year 3.



Grate Fermere (women farmers) microenterprise benefited from a cooling chamber and processing equipment.



USAID contractors and beneficiary of cooling chamber, owner of Bashkimi collection center discussing inside the donated facility.

Benchmarks

- **Four KPEP supported pack houses will be fully operational by Year 3. (Achieved)**

4th Quarter Progress

KPEP supported the Hosa Fresh and Bashkimi vegetable collection centers, to inform villagers about the services the collection centers offer. The collection centers began collecting

vegetables produced by Perdrini and Anadrini farmers and exporting them to Switzerland and Croatia. Meanwhile, the Liria collection center is in the final phase of finalizing its floor layout. And the Grate Fermere microenterprise in Krusha Madhe inaugurated its 120 cubic meter cooling chamber. The chamber will extend the processing season by another two months for this women-led microenterprise.

KPEP facilitation, both direct and indirect, resulted in approximately 2.5 million Euros in vegetables sold domestically and abroad during the fourth quarter.

* Hosa Fresh exported 80 metric tons of fresh peppers to Switzerland, paying farmers 24,000 Euros, (0.30 Euros per kilogram) and selling them for 56,000 Euros.

* V-Kelmendi exported 1500 metric tons of fresh peppers to Germany, paying farmers 450,000 and selling them 1,050,000 Euros.

* Etlinger exported 100 metric tons of fresh vegetables to Austria, paying farmers 30,000 Euros and selling them for 70,000 Euros.

* Bashkimi, through the Rafi Company, exported 700 metric tons of vegetables to Serbia and Croatia, paying farmers 210,000 Euros. It also sold Ask Foods 1,000 metric tons of vegetables, paying farmers 200,000 Euros.

* The farmers and collection centers also supplied ETC with 7,000 metric tons of vegetables, worth 1,400,000 Euros.

3rd Year Progress

KPEP has identified several potential local investors already involved in fruit and vegetable production or trading and has worked with them to locate suitable facilities and develop their concepts. Fruit and vegetable centers are being developed in five locations: Bashkimi in Krusha e Madhe/Velika Krusha, Hosa Fresh in Rogova (Gjakova/Djakovica), Liria in Klina, Agrocelina in Xerxe, Fruti in Podujevo and Vokri in Svegël (Podujevo). KPEP advised the companies/vegetable collection centers on proper pre-HACCP floor layout.

KPEP assisted operators to identify markets for fresh peppers (Class I). As a result, 43,000 tons of Class I peppers were exported to Germany, Croatia, Slovenia and Switzerland, at an average price of 0.30 Euros per kilogram paid to producers; 1,500 tons of Class I peppers were exported in a processed state to Austria and Germany at an average price of 0.30 Euros per kilogram. Peppers sold in Kosovo and exported by Kelmendi, Etlinger and Hosa Fresh totaled in 1.5 million Euros. Locally, KPEP clients supplied the ETC hypermarket chain with one-quarter of the

more than 7,000 metric tons of fresh vegetables, with a value of 2.1 million Euros, it purchased. Across Kosovo, all domestic and export transactions involved 12,800 metric tons of vegetables at an average price per kilo of 0.30 Euros. In all, total KPEP-supported fruit and vegetables exports this year amounted to approximately 1.5 million Euros.

- **At least 20 pack house employees trained in quality control and handling. (Partially achieved)**

4th Quarter Progress

Nothing to report.

3rd Year Progress

KPEP sent a group of seven farmers interested in starting pack house to Antalya, Turkey, to learn how to operate vegetable centers. Following the visit, four farmers were supported by KPEP to begin operations.

- **At least 10 representatives of pack house and growers attend the Plovdiv Fair agricultural technology trade show in Bulgaria. (Dropped)**

4th Quarter Progress

Nothing to report

3rd Year Progress

There was no interest shown by clients in attending the Plovdiv fair. This fair was substituted with the Growtech fair in Antalya, Turkey.

- **At least one commercial apple storage facility established to serve the needs of at least 20 hectares of production. (Dropped)**

4th Quarter Progress

Dropped.

3rd Year Progress

KPEP attempted to involve the Intercoop Company in Peje/Pec in establishing cold storage facilities for apples given it already has built more than 1,000 square meters of storage area. Intercoop continued to cooperate with KPEP on potato processing.

Nor was there any interest from other companies in establishing apple storage facilities, after MAFRD announced it would establish three large-scale pack houses, which would include space for the storage of apples.

Fruit and Vegetables

Objective 3: Improve and expand vegetable processing capacity and technology



A worker processing peppers at Biopak vegetable processing plant in Rahovec/Orahovac



View of autoclave for vegetable processing in Biopak processing plant in Rahovec/Orahovac. Autoclave was donated by USAID

Objective Strategy

Kosovo exports fruit and vegetables in a mainly raw or semi-processed state. Though this is a lower-cost process, it leaves additional value in the hands of importers and limits job creation and increased trade value. In order to increase opportunities to trade more finished or fully processed produce, KPEP will continue to work with processors to enhance capacity and quality standards to meet the demand for such produce.

Benchmarks

- **Increase in vegetable processing capacity under HACCP-certified conditions will lead to increased export sales of at least 500 metric tons of processed produce. (Achieved)**

4th Quarter Progress

ASK Foods began selling abroad, exporting to Croatia its first 60 metric tons of processed fruits and vegetables. This company aims to process 1,000 metric tons of fresh peppers supplied by Perdrini farmers through the Bashkimi vegetable collection center.

3rd Year Progress

Biopak become eligible for HACCP certification. The women-led microenterprise Grate Fermere in Krusha e Madhe began processing vegetables, relying on KPEP's pre-HACCP advice and using machinery paid for with grant funds. Agroalbi, a Ferizaj/Urosevac firm also known as the spice processor Vegonatur, used a KPEP grant to purchase a central heating system for its greenhouse. The system will allow the company to operate an oven to dry vegetables, substituting on an annual basis 600,000 Euros of products currently imported from China.

- **At least one new processor achieves HACCP certification. (In progress)**

4th Quarter Progress

Nothing to report

3rd Year Progress

Biopak began processing vegetables and gained eligibility for HACCP standard certification. KPEP will continue to work with Biopak to gain certification.

- **Edona/Hosa Fresh (Switzerland–Kosovo), a new foreign direct investor in vegetable processing will complete its investment with KPEP technical support for a new processing unit. (Achieved)**

4th Quarter Progress

KPEP's direct facilitation led to the first foreign direct investment in the joint venture company Hosa Fresh, located in the village of Rogova, outside Gjakova.

3rd Year Progress

KPEP supported Hosa Fresh on its pre-HACCP manufacturing process layout. This company began exporting fresh, graded peppers to Switzerland, employing 12 women. KPEP also

supplied the company with the initial technology and equipment needed to establish a vegetable processing line. The equipment manufacturer will deliver the second phase by the end of November 2011. The company will be fully operational in 2012, employing 70 workers, 95% of them female.

Fruit and Vegetables

Objective 4: Expand existing markets and penetration of new markets

Objective Strategy

Kosovo's fruit and vegetable sector is actively looking to expand existing markets, both in terms of range and volume as well as create new opportunities in markets in which it can be competitive. This is an ongoing process. KPEP continues to support client firms to achieve domestic and export market growth.

Benchmarks

- **Export to at least one new market. (Achieved)**

4th Quarter Progress

The Bashkimi collection center exported its first shipments of peppers to Croatia.

3rd Year Progress

The Perdrini Association, through the Bashkimi collection center and Rafi Company, exported more than 500 metric tons of peppers to Croatia and Slovenia.

- **Export at least one new crop to existing export market. (Achieved)**

4th Quarter Progress

Perdrini Association farmers exported 80 metric tons of Cecej, a new pepper variety, to Switzerland. They also sold Cila and Abide pepper varieties to the ETC hypermarket chain.

3rd Year Progress

Etlinger exported 100 metric tons of sweet spiral peppers to Austria. Hosa Fresh exported 80 metric tons of Cecej and Cila peppers to Switzerland.

Growers rerouted would-be pepper exports to the domestic market, delivering to ASK Foods, Biopak and other processing companies 1,200 metric tons of fresh product.

- **Provide the domestic market with at least two new products. (Achieved)**

4th Quarter Progress

Perdrini delivered 500 metric tons of Barcan and Top Gun variety watermelons to the Elkos hypermarkets.

3rd Year Progress

KPEP was not involved in contracting, payment details and conditions of trade between Kosovo companies and companies based in Albania and FYR of Macedonia. Thus, KPEP instead worked on creating linkages between Kosovo trading companies and hypermarket chains. The Elkos chain purchased most of the output of the Perdrini Association, including the new Abide and Cila pepper varieties, as well as the new Barcan and Top Gun watermelon varieties.

- **Export at least 300 metric tons of the Cecej pepper variety (tested in a 2010 test trial in Kosovo) to Switzerland. (Partially achieved)**

4th Quarter Progress

Kosovo exported just 80 metric tons of Cecej peppers to Switzerland as part of a test contingent. Otherwise, more than 320 metric tons of this pepper variety were sold domestically.

3rd Year Progress

A lack of packaging led buyers in Switzerland to balk on accepting previously agreed amounts of peppers. Instead, 320 metric tons of Cecej and Abide peppers were sold locally.

- **Promote Cila and Abide pepper varieties for export to EU countries. (Partially achieved)**

4th Quarter Progress

Farmers eagerly accepted introduction of these new varieties, as they enable twice the yield per hectare over traditional varieties.

3rd Year Progress

KPEP supported 10 Perdrini Association farmers in planting three new pepper varieties: Cecej, Abide and Cila. Kosovo exported 80 metric tons of the peppers, with another 320 metric tons sold domestically through the Elkos hypermarket chain.

- **Achieve at least 4,000 metric tons of export vegetable sales. (Achieved)**

4th Quarter Progress

In 2011, direct and indirect facilitation by KPEP led to total recorded fruit and vegetable transactions, on both the domestic and export markets, of 12,800 metric tons, worth 3.6 million Euros. The average price per kilogram ranged between 0.20 and 0.30 Euros.

3rd Year Progress

Major Kosovo companies (Etlinger, ASK Foods, Biopak, Eurofruti) using their solvency were able to collect and process 3,000 metric tons of vegetables. In 2011Kosovo processors, which are KPEP clients, increased their capacity and production. In 2010 total amount of vegetables processed by KPEP client was 1000 metric tons; in 2011 it tripled to 3,000 metric tons.

KPEP helped foster a relationship between the Perdrini Association and the ETC food retailer and Intercoop potato processor during the Fruit Logistica show. Perdrini farmers delivered to ETC 500 metric tons of watermelon as well as 200 metric tons of potatoes. KPEP also visited Kelmendi GmbH in Germany to confirm its interest in importing 4,000 metric tons of peppers and cabbage. Those exports are in progress, with Kelmendi GmbH so far importing 1,500 metric tons of peppers, with cabbage imports slated to start in mid–October, after the cabbage is preserved elsewhere in the region due to a lack of suitable facilities within Kosovo.

- **Achieve at least 1.2 million Euros in export sales of vegetables. (Achieved)**

4th Quarter Progress

KPEP facilitated export sales of more than 4,200 metric tons of fruit destined for fresh sale and for processing, with an average price of 0.30 Euros per kilogram.

3rd Year Progress

KPEP has made excellent progress under this objective, directly and indirectly facilitating export of 5800 metric tons. Additionally KPEP facilitated sales of additional 7,200 metric tons of vegetables in local market. In 2010, the equivalent total was 4,200 metric tons, with a value of 1 million Euros.

Fruit and Vegetables

Objective 5: Improve business practices of farmer associations. (Achieved)

Objective Strategy

By adopting improved business practices, farmer associations can improve their financial stability by developing more formal market relationships to increase sales at lower transaction costs and to purchase assets (equipment) to provide more commercial services to their members. They will be able to provide additional services to members, increase financial sustainability, and formalize business relationships with members and between the association and other parties.

Benchmarks

- **At least five fruit and vegetable associations will have improved organizational structures in accordance with the Cooperative Law. (Partially achieved)**

4th Quarter Progress

Perdrini Association became Perdrini cooperative and Adas Bio became Gjakova-1 Cooperative.

3rd Year Progress

KPEP worked with the Perdrini Association and Adas Bio by providing legal advice on how to transform into farmers' cooperatives eligible to enter buy-sell transactions, which is not the case with other associations.

Agriculture: Non Wood Forest Products

	SAF Budget Estimate	International STTA	Local STTA
Total planned	\$170,000	24 days	90 days
Committed this quarter	\$100,588	0	0
Total committed to date	\$100,588	24 days	90 days

Sector Strategy

The Non Wood Forest Products sector serves thousands of predominantly poor and rural families by providing a reliable market for products gathered as wild harvest. For many, this represents their dominant source of income and in some cases NWFP provide 100% of family income. Under the Year 3 work plan, this sector focused on existing processor clients, seeking to expand their processing capacities (where appropriate) in an attempt to double NWFP sales in the 2011 production season. In addition to process capacities, efforts were made to add value to a proportion of their volume in order to bolster margins and, to the extent possible, protect collectors from large swings in pricing.

Agriculture: Non Wood Forest Products

Objective 1: Increase capacities by improved collection, processing and marketing

Objective Strategy

Wild harvest products of high quality are available in large quantities under normal seasonal conditions. The lead firms all appear to purchase far less than is available on a sustainable harvest basis. The market appears to be ready to accept an increased supply of high quality product from Kosovo. In some cases, there appears to be opportunity for doubling these volumes, which would have a direct and significant impact on the incomes of poor collector families as well as on the bottom lines of exporting firms. KPEP will work to enhance all exporter clients to increase export capacities.

Benchmarks

- **At least three new firms will acquire HACCP certification. (Achieved)**

4th Quarter Progress

Three companies, Agro Peti in Podujeva/Podujevo; Besiana in Ferizaj/Urosevac; and Scardus in Shtërpce/Strpce, received HACCP certification. Germany's TÜEV Nord audited the certification process, which was then implemented by two local companies, MD and Sigma. Two other companies, the Farmers Cooperative Rugova in Peje/Pec and Agroprodukt Syne, in Istog/Istok, are working to gain HACCP certification by the end of 2011.

Year 3 Progress

KPEP awarded a grant to Rugova to purchase required infrastructure and equipment before it could begin with HACCP certification. Once installation is completed, Rugova is expected to finalize HACCP certification. Meanwhile, Agroprodukt Syne is undergoing restructuring, delaying its acquiring HACCP certification.

- **At least three new firms will acquire organic certification. (Partly Achieved)**

4th Quarter Progress

Nothing to report during this quarter.

Year 3 Progress

KPEP increased its activities relative to the implementation of food safety standards for various client companies. Besiana and Scardus expressed interest in gaining certification for their regional collection zones after meeting with "Albinspekt," the company mandated by Bio Swiss to prepare local firms seeking organic certification. In Shtërpce, a typical NWFP area, KPEP focused on raspberry production. There, local farmers and collectors broached the idea of implementing GlobalG.A.P. (Good Agricultural Practice) quality standards.

- **At least 500 new collectors will receive training on good collection practices. (Not achieved)**

4th Quarter Progress

Nothing to report during this quarter.

Year 3 Progress

The need for training collectors of berries and other wild commodities increases with each season. In non-traditional berry collecting areas, such as Noverberde, Ferizaj/Urosevac and across central Kosovo, a large number of new yet inexperienced collectors are entering the market. Unfortunately, they are causing more damage than benefits to the NWFP sector. To remedy this situation, KPEP has delivered flyers detailing good collection practices to various companies, such as Besiana, Rugova and Eurofruti, and collection centers in those areas. The flyers inform new, inexperienced collectors of the basic knowledge needed to responsibly and sustainably collect wild commodities in their areas.

- **Sales of NWFP increase by at least 40% over 2010 levels. (Partly achieved)**

4th Quarter Progress

During this quarter, sales of NWFP saw a 25% increase, falling short of the 40% target. This was due to a loss of overall collection capacity in blueberries, leading to a 50% reduction in the harvest of this particular wild crop.

Meanwhile, Agroprodukt Syne relied on KPEP technical and marketing assistance to organically cultivate 30 hectares of chamomile and another 30 hectares of mint, oregano and other herbs and spices, increasing its sales by 50% during the season.

3rd Year Progress

The overall trend in this sector remains positive, with sales gains each season in the 20% to 40% range. KPEP's provision of grants and technical assistance has played a major role, along with the involved firms' own direct investments in hardware. Firm-level investments in processing, including added cooling and freezing storage capacity among major NWFP companies has steadily increased, as has the number of decentralized collection centers. KPEP has also fostered relationships between Agroprodukt Syne and various large European companies seeking to purchase organically cultivated herbs, including Germany's Martin Bauer AG and Bionorica; Austria's Sonnentor and Switzerland's Weleda, has led the Kosovo firm to increase its area under cultivation to 60 hectares, from just five hectares previously.

- **At least three new retail brands enter the market. (In progress)**

4th Quarter Progress

Nothing to report in this quarter.

Year 3 Progress

KPEP worked with the Scardus Company to meet the detailed requirements for retail packaging and branding to enable it to enter the fresh and frozen market for blueberries. KPEP also assisted Agroprodukt Syne in developing retail packages of organically cultivated herbs—a product at least one local company has shown interest in purchasing.

Additionally, various German, Austrian and Swiss companies with established business relationships with local companies have expressed interest in assisting Agroprodukt Syne and Hit Flores to add value to their branded and small packaged products.

Non Wood Forest Products

Objective 2: Improve linkage to international markets

Objective Strategy

Exporters of NWFP historically have forged linkages with regional and European markets. These markets have been served well while volumes and qualities have remained at current levels. However, as volumes increase, it will be important to seek new market opportunities and establish new connections and contracts. In order to support the proposed increase in NWFP volumes, significant efforts will need to be made to ensure the market for Kosovo's NWFP crop expands.

Benchmarks

- **At least three new marketing plans adopted and implemented by lead firms. (In Progress)**

4th Quarter Progress

Besides the support that KPEP provides to APS, Hit Flores, Fungo FF, Eurofruti and others in preparing marketing plans and increasing both cultivation and sales, the project also assisted

Fungo FF and Agroprodukt Syne in creating short commercials that profile the companies, enabling them to better market their products and grow their client base..

Year 3 Progress

KPEP assisted the major NWFP companies with marketing assistance for the export market. It also provided joint research on the local niche and processing markets. Scardus is targeting the local fresh market with small, branded packaging for its blueberries and raspberries. Meanwhile, local fruit processing companies, including MOEA, ASK Foods and others, are interested in purchasing local berries for juice production. A local advertising company is interested in assisting with the packaging and branding of the companies' products.

- **NWFP firms participate in at least two trade fairs. (Achieved)**

4th Quarter Progress

Nothing to report in this quarter.

Year 3 Progress

Various KPEP-supported clients attended BioFach, the world organic trade fair held February 16-19, 2011, in Nuremberg, Germany, resulting in new and useful contacts. More importantly, it resulted in increased sales for organically certified commodities sold by Agroprodukt Syne, Hit Flores and others. These companies, with the support of KPEP and other donors, are poised to increase their sales of collected and cultivated commodities to various European buyers. Sales of initial small test batches are on the upswing, as is the contract growing of organically cultivated herbs.

In addition, the Swiss Import Promotion Programme (SIPPO) expressed interest in helping Agroprodukt Syne and Hit Flores present their products at next year's BioFach.

- **Kosovo exports NWFP to at least two new markets. (Achieved)**

4th Quarter Progress

During the year, KPEP supported Agroprodukt Syne, Hit Flores and Fungo FF in commencing exports to two foreign firms, Kraus in Germany and Bionorica in Switzerland. At the same time, KPEP supported the companies in expanding the list of products they already sell to Sonnentor in Austria and Weleda in Switzerland.

Over the current reporting period, KPEP clients saw their exports to new markets of blueberries, juniper berries, mushrooms, frozen raspberries and other products grow by 500,000 Euros.

Year 3 Progress

KPEP achieved its 2011 target of 7.6 million Euros in sales of organic certified NWFP commodities. Demand by the German market for berries and herbs remained strong, as did Italian demand for mushrooms. The major exporting companies, their locations and products include:

- Agroprodukt, Syne, juniper berries and dried blueberries
- Hit Flores, Dragash/Dragas, juniper berries and frozen blueberries
- Scardus, Shterpce, frozen blueberries and cultivated raspberries
- As Promet, Leposaviq/Leposavic, frozen mushrooms and frozen blueberries
- Euro Fruti, Pristina, frozen and processed mushrooms and frozen blueberries
- Besiana, Novoberd/Ferizaj, frozen blueberries, mushrooms and juniper berries
- Cooperative Rugova, Peje/Pec, frozen blueberries
- Agropeti, Podujeve, frozen and processed mushrooms

Non Wood Forest Products

Objective 3: Identify new product/market opportunities

Objective Strategy

Kosovo currently exports a traditional range of NWFP in the raw or semi-processed state. This opportunity presents a high volume, lower value proposition. The collector proportion of export sales value remains very high (upward of 70%) for most products. This leaves margins comparatively low for the exporters and exposes collectors to the fluctuations of the market; the firms then have little or no capacity to buffer swings in what is essentially a commodity market. Developing opportunities to add value will increase overall margins diversify markets and maintain collector engagement even in weak markets.

Benchmarks

- **At least 50 metric tons of wild harvest chestnuts exported. (Achieved)**

4th Quarter Progress

Agroprodukt Syne concluded an agreement with Kelmendi GmbH to export 50 metric tons of wild harvest chestnuts, calibrated and packed in five-kilogram net bags, to Germany. Agroprodukt Syne has begun to collect, calibrate and pack the chestnuts for export. The only issue remaining is transportation.

Year 3 Progress

KPEP continues to support the sweet edible chestnut sector in its attempt to penetrate the EU market. Besides Agroprodukt Syne, Hit Flores also struck an agreement to export 50 metric tons of wild harvest chestnuts to Germany. KPEP remains optimistic that these and other local companies will expand their chestnut exports to Germany, through their existing network of contacts.

- **At least one value added market opportunity and action plan completed and acted upon if appropriate. (Achieved)**

4th Quarter Progress

KPEP supported new field trials of new raspberry varieties in Strpce/Shterpce as well as provided technical assistance to raspberry growers in Dragash. KPEP, in cooperation with the MVM farmers association in Shterpce, will continue to test the local market response to small retail packages of fresh raspberries. In order to increase cultivation of this important berry crop in two major locations, Strpce/Shterpce and Dragash, KPEP organized a field day in Shterpce where NWFP stakeholders showcased new, more productive varieties of raspberries that are better suited to the areas.

Year 3 Progress

During the reporting period KPEP supported the members of the NVM Strpce farmer's association to plant new varieties of raspberries over four hectares of test plots. As part of the project, KPEP also introduced a new system of irrigation to increase productivity. The new plantations should yield 60 to 80 metric tons of raspberries in 2010. KPEP believes the positive outcome will move other farmers to adopt these new raspberry varieties, increasing their yields and profits.

Forestry: Forests

	SAF Budget Estimate	International STTA	Local STTA
Total planned	\$25,000	30 days	20 days
Committed this quarter	\$19,800	10 days	0 days
Total committed to date	\$19,800	0 days	0 days

Sector Strategy

Kosovo's current system of forestry management has not adequately fostered economic growth or revenue generation, and the public sector has proven ineffective in directly addressing rampant illegal logging and unsustainable harvesting practices. The ineffective forest tendering system in place today fails to ensure a reliable supply of wood for the local processing industry or to provide any incentives for private sector investment in sustainable practices or forest protection.

Increased private sector engagement in forest management has great potential to increase revenue generation and economic contributions, as well as to improve environmental sustainability and reduce illegal logging. This will be addressed directly through reform in the forest tendering system to give the private sector greater responsibility, control and incentive to target these challenges.

Forestry: Forests

Objective 1: Forest certification through Forest Stewardship Council (Ongoing)

Objective Strategy

For any progress to be made in developing a forestry industry in Kosovo that will have long-term access to developed markets, forests must be certified against an industry-acceptable standard. This standard is close to being fully developed in Kosovo with the recent agreement by all stakeholders to the terms of the National Standard for Forest Management. This standard has been sent to the certification body, the Forest Stewardship Council (FSC), and is scheduled for ratification during this work plan year.

This will open the door for implementation and move the industry closer to reducing illegal logging through market pressures. It will also offer increased market access for wood product

producers. KPEP will continue to shepherd this standard and its certification during the work plan year and bring industry players into position to apply the standard, once ratified. As the standards are applied over time, it is anticipated that Kosovo will move from the current 20% annual sustainable harvest to 70%. As the sustainable cut increases, logging firms will increase investment, sales and jobs.

Benchmarks

- **FSC will approve the Kosovo Standards for forest management. (In progress)**

4th Quarter Progress

During the 4th quarter, KPEP on behalf of the standards development group (SDG) exchanged correspondence with the policy manager of the FSC International Centre GmbH in Bonn, Germany.

3rd Year Progress

The SDG's application for accreditation of the FSC standard for Kosovo is currently under review at the FSC International Centre's Policy and Standards Unit, according to recently received confirmation from FSC International's policy manager.

After receiving comments from the FSC Policy and Standards Unit, KPEP arranged an SDG workshop to incorporate the comments and remarks. The workshop concluded with production of the final version of the FSC Standard for Kosovo (version 3.1). This latest version received consensus approval at the same meeting and was then submitted to the FSC for approval. The final decision to approve the FSC national and regional standard rests with the FSC policy and Standard Committee (PSC), appointed by the FSC Board of Directors. The PSC met but has not yet made the decision.

- **At least three targeted training events conducted at local/community levels for implementation of the FSC approved standard. (Achieved)**

4th Quarter Progress

During this quarter, KPEP continued to offer technical support at the local/community level, advising stakeholders on how to actively participate in decision-making for the sustainable use of the forests in their areas, all according to national policy and FSC requirements.

3rd Year Progress

KPEP conducted one of three planned training events in Dragash/Drigas municipality, bringing together all relevant local governmental and non-governmental stakeholders interested in forestry. The training represented an opportunity for key stakeholders to understand the development process of the FSC standard. The session also shed light on FSC requirements that must be applied in forest management operations, the benefits of FSC certification and the challenges that Kosovo faces to achieve preconditions for forest management certification.

In March, KPEP conducted the second planned training event, on implementing the FSC approved standard, in Kacanik municipality. Third training will be held in March 2012.

KPEP's provision of training events for the local community was held in cooperation with the Kosovo Forest Agency (KFA), whose personnel are transferring their know-how of FSC requirements in daily operations to other forestry-related stakeholders. Therefore the trainings took place in areas covered by the KFA offices in Prizren and Ferizaj/Urosevac, specifically in the municipalities of Drigas/Drigas and Kacanik. They also included representatives from other municipalities, including Decan/Decane and Peje/Pec. The purpose of these trainings was to address the need for improvements and commence with on-the-ground implementation of FSC requirements. The needs that require addressing include operations management, specifically planning and monitoring, as well as representing the public's environmental and social concerns during commercial forest utilization. Other important aspects include protection of labor rights in management units seeking certification, as well as procurement and record-keeping practices. A further purpose of the trainings was to brief the participants about the progress of the FSC standard for Kosovo. As a result of the continued technical support given at the local/community level and to different nongovernmental organizations, KPEP helped build local capacities in all aspects of the planning activities and public consultation processes, demonstrating how management planning can improve the forests and their benefits to society.



Internal audit of forest management operations in the Ahishte-Kacanik management unit.

- **At least one training event for MAFRD staff on requirements for oversight of new Forest Standard. (Achieved)**

4th Quarter Progress

Following on improvements in increasing human resources among the MAFRD-KFA staff relevant to implementation of FSC requirements, KFA appointed a local expert for certification at the KFA headquarters in Pristina, as well as local level coordinated directorates in Ferizaj/Urosevac and Prizren.

3rd Year Progress

During the second quarter, KPEP worked preparing training sessions scheduled for the third quarter. KPEP provided municipal forest authorities with information about the objectives of the training. In the third quarter, KPEP then conducted two days of training for forest officials at MAFRD, KFA, Department of Forestry DF and various municipal forest directorates regarding the main principles of the FSC audit process, as well as the steps in the process leading up to FSC certification. This training provided opportunities for 20 individuals to improve their

theoretical and practical skills relevant to the auditing process. Foresters also learned about specific aspects of Kosovo forestry operations, including the biggest identified areas of non-compliance and where more effort was needed to meet FSC requirements before the pre-audit process could commence.

During the fourth quarter, KFA appointed a contact expert for FSC Certification at its headquarters, along with two local experts at the KFA's coordinated directorates in Ferizaj/Urosevac and Prizren. They will be responsible for coordinating activities between the KFA and various municipal forest directorates, and other stakeholders, in preparing selected management units for pre-audit and main audit activities. This will provide the KFA and municipal forest directorates the possibility of ensuring that the two selected management units, Ahishte-Kaqanik and Koritnik II-Dragash, are prepared for the pre-audit assessment.

- **Kosovo-specific Chain-of-Custody (CoC) guide developed and distributed. (Achieved)**

4th Quarter Progress

KPEP compiled adaption of the CoC guide. The guide describes the main steps taken for FSC CoC certification.

3rd Year Progress

KPEP compiled adaption of the CoC guide. All content material for FSC CoC certification has been translated into Albanian.

The Association of Wood Processors of Kosovo (AWPK) introduced CoC to Kosovo's wood processors. The wood processors community was already involved in the FSC certification process and remains aware of the interrelation of both processes. The direct result of this activity was the adaption and distribution of the CoC guide and different CoC directives on how to become certified.

- **At least two professionals trained in Kosovo FSC application. (Achieved)**

4th Quarter Progress

The support provided in the previous quarter to KFA officials in attending the annual auditing of FSC certification in Croatia resulted in building KFA professional skills to coordinate preparations at the agency's headquarters and in its coordinated directorates in Ferizaj/Urosevac and Dragash/Dragas municipalities for the pre-audit and main audit that lead to the forest certification process in Quarter 4.

3rd Year Progress

Two forest professionals attended the regular auditing process in Croatia. The aim here of KPEP's support was to build local expertise, at the individual level, in auditing to forestry standards as well as the practical application of these skills on the ground. Attending the field audits helped the two professionals gain first-hand experience and learn how to perform an internal audit, plan and implement an auditing program and finally implement and evaluate the internal audit results in accordance with FSC requirements. As a result, a trained KFA professional was appointed as the local expert responsible for coordinating all activities regarding the forest certification process in Kosovo.



Training of local capacities in auditing according to FSC standards.

Kacanik and Dragash/Dragas complete first forest standard audits. (In progress)

4th Quarter Progress

During the quarter, a SOW for tendering the forest certification and auditing process (pre-audit and main audit) was prepared for two forest management units, namely Ahishte-Kacanik and Koritinik II-Dragsh.

3rd Year Progress

KPEP and KFA decided to undertake a pre-assessment audit where the certification organization would check for any remaining gaps between performance and FSC requirements. KPEP supported tendering of forest certification services. All technical parameters were included in tendering documentation. The basic data on the management units to be certified and period of performance were listed. The tender also listed the required deliverables and necessary qualifications for selected companies. It is expected that the selection process will be completed by October 2011, with financial support provided by KPEP.

School essay competition. (In progress)

KPEP founded a program that educates children on the traditional importance of proper forest management. The outdoor education program offered school children in Dragash, Suhareka and Junik an opportunity to learn about the role forests play in everyday life. More than 500 pupils attended talks about the importance of the forest as well as participated in drawing, essay and other competitions. Camping and other activities, implemented by the NGO Mali-Suhareka in conjunction with its implementing partners, Finchi-Prizren, Gjeravica-Junik and SNV-Pristine, will continue in the coming quarter. The program offered participants a chance to learn about tree species, seeds, forest utilization and planning, tree planting, biodiversity and forest certification.



Students learn how to manage forests just as their grandparents traditionally did.

Additional Achievements

KPEP engaged the Natural Resources Solution Company to conduct an assessment of 10 sample plots in oak, beech and spruce forests in five selected municipalities: Istog/Istok, Suhareke/Suva Reka, Dragash/Dragas, Kacanik/Kacanik and Novoborde/Novo Brdo. The results from the assessment were presented during three workshops, where participants discussed the findings and offered feedback and recommendations on how to treat certain categories of forests in order to improve overall forest function and to fulfill community needs. These results were then incorporated into an draft Administrative Instruction submitted to MAFRD's Forestry Department, for further processing and approval in order to regulate treatment of these categories of forest. However, the Administrative Instruction did not proceed, pending review of the new Forestry Law. Nevertheless, the results of from the assessments are being applied in the field and incorporated in the Forest Management Unit (FMU) annual plans. This year alone, more than 300 hectares of young stands around Kosovo are to be treated.

KPEP started a project for the pre-commercial cleaning and thinning of young stands that will undergo silviculture treatment in Northern Kosovo. KPEP anticipates the project will cover nearly 300 hectares. So far, KPEP has identified the forest area in question and has tested two experimental plots. The project has engaged professionals to evaluate the environmental impact

of these operations. The grant was issued to “M&A” Leposavic to implement sivicultural treatment across 162.46 hectares in the Leposavic and Zubin Potok areas (20 locations total). This project will provide four months’ employment for 60 workers. Implementation will take place during fourth quarter of Year 3 and the first quarter of Year 4.



Field visit to a test plot in Novoberde/Novo Brdo prior to pre-commercial thinning.

KPEP continued to share achievements on the FSC standard development process and forest certification with other forestry sector donors, including SIDA, SNV, FAO, EU and the Finnish and Norwegian embassies. KPEP also remains involved in the management board within the Prime Minister’s Office as observer, where both USAID and other EU donors are members.

Forestry: Wood Processing

	SAF Budget Estimate	International STTA	Local STTA
Total planned	\$322,000	67 days	53 days
Committed this quarter	\$35,470	10 days	0 days
Total committed to date	\$188,830	59 days	5 days

Sector Strategy

As the highest-value end use for Kosovo's timber production, wood products are a key to driving the industry. The local market for timber products, particularly furniture, is high at this time and there is a significant opportunity to produce for import substitution. Industry estimates suggest that some 80 million Euros of timber and timber-finished goods are imported into Kosovo annually. Of this, some 60% is furniture. Additionally, there is an export market for Europe, particularly for high-quality finished goods. These exports require very high quality timber for raw materials as well as the best possible craftsmanship and production reliability. When facing a large, less discerning local market, firms may be less inclined to invest additionally in export production.

This sector will continue to focus on increasing its ability to meet international standards, especially as the industry looks toward being able to provide certified timber and approved chain of custody in the medium term. This would further secure acceptance of Kosovo products on the international market. This year, the sector will continue to develop skills that are required by the industry, especially at the middle management level rather than among entry-level technicians.

Forestry: Wood Processing

Objective 1: Expand market share and develop new products

Strategy

As Kosovo moves rapidly to certified timber sourcing, it is crucial that furniture design and manufacture increasingly serve more and more discerning markets locally, regionally and internationally. The industry requires continual support in design and market penetration as well as increasing application of manufacturing norms that will bring its product into larger markets. This is the only way the sector can grow and provide jobs. Measuring market share in Europe is impossible at this time with exports at such a low level, but export volumes and value will be recorded and these will indicate increasing acceptance in these markets.

Benchmarks

- **KPEP assisted firms develop at least three new products. (Achieved)**

4th Quarter Progress

KPEP has worked closely with a new company, Deco, part of the Tefik Canga Design group, on developing nine new styles to supplement its bedroom furniture line. A KPEP wood processing specialist and KPEP STTA provided input to the new established company on the market as well as furniture design trends.

KPEP worked closely with another local manufacturer, Hilmi Deva BHD, and the German importer Relita on developing a new type of bed for the export market.

Year 3 Progress

KPEP's engagement in developing new product ideas continued during the reporting period. KPEP worked closely with 15 companies in response to external inquiries made to the project regarding 12 new products. As a result, firms developed five new products, with two reaching the market through deals calling for regular exports of the products in question. These include Elnor's exports of solid wooden chairs and tabletops to Ireland's Osso Contract Furniture.

KPEP continues to instill in companies the need to manufacture finished products that meet the international market's demands relative to cost, quality and design. Doing so helps local companies become more attractive on the domestic and regional markets as well. As a result, products developed and produced for export have enjoyed increased domestic sales. Overall, data suggest raw material imports increased 20% during this reporting period when compared with 2010 figures, reflecting a strong uptick in production.



Clipping from *Koha Ditore* highlighting USAID client Elnor's exports to Ireland.

Supported firms export new products to at least two new markets. (Achieved)

4th Quarter Progress

KPEP assisted several wood processing companies in initiating contacts with international furniture import firms, including Next from the United Kingdom and Castlebrook Furniture + Design and Osso Contract Furniture from Ireland. A Castlebrook representative visited multiple KPEP clients to assess their capacity and seek out opportunities. The company, which specializes in hotel furniture, plans a follow-up visit. Local firms also prepared offers for the furniture market in Ghana.

KPEP introduced 11 Kosovo firms to the German furniture importer Relita. Since then, two of the firms, Hilmi Deva and Besniku, have begun producing sample orders for potential export.

Year 3 Progress

Beyond KPEP's linking of firms to importers in the UK, Ireland and Ghana, the project, through the Association of Wood Processors in Kosovo (AWPK), supported 62 companies in exhibiting their products at five regional furniture and wood processing fairs: Albrelex in Tirana, Albania (October 2010); Ambienta in Zagreb, Croatia (October 2010); Furniture Show in Budva, Montenegro (April 2011); Mebel in Skopje, Macedonia (May 2011); and Natyra in Pristina,

Kosovo (June 2011). As a result of their participation, KPEP's client firms reported an increased number of export and domestic sales, the latter serving to substitute substantial imports. Details follow.

- **Albrelex:** 10 wood processing companies exhibited. Two companies, Lesna and Elnor Vefa Décor, subsequently opened permanent sales points in Albania to serve the local market. Furniture and wood products exports to Albania amounted to 753,000 Euros, according to Kosovo Customs data.



USAID-supported stand at Tirana wood fair



A KPEP client company exhibiting at the fair



Minister Zharku of Kosovo and Minister Meta of Albania at opening ceremony.



Women's association exhibiting handcrafted products

- **Ambienta:** Nine wood processors exhibited their products at Ambienta under a common brand, “**Made by the Young Europeans,**” gaining international exposure.



Stand layout plan prepared before the event



The "Made by the Young Europeans" stand.



Gacaferi's stand was selected as one of the fair's best.



Painted handicrafts

- **Mebel:** Lesna, Gacaferi, Tefik Canga Design, Divani, Tedes and TCD exhibited their products. Subsequently, Lesna opened its first sales point in Skopje; other companies are negotiating distribution of their products across Macedonia. Exports of wooden products to Macedonia amounted to 452,000 Euros, according to Kosovo Customs data.
- **Furniture Show:** AWPK members Elnor, Daqa and Hoti exhibited their products at the traditional furniture fair in Budva, Montenegro. Subsequently, they reported 92,000 Euros in sales in Montenegro. Elnor and Daqa have secured their presence in the Montenegro market.

- **Natyra:** The Kosovo fair drew 54 wood processors and furniture manufacturers from Kosovo and five other countries in the region. AWPK estimates the fair generated 1.1 million Euros in sales.



Fig 1. The opening ceremony.



Fig 3. Upholstered furniture dedicated for export produced by Divani/TCD.



Hilmi Deva's new coffee table designs inspired by the Istanbul furniture fair.



Elnor's modern chairs, while designed for export, proved popular domestically too.

The images below show some of the newly developed products displayed during "Natyra 2011."

Overall, progress in this area has been excellent with new export-quality products developed and introduced in three new markets: Croatia, Ireland and Macedonia.

Year on year, exports of wood products and furniture have increased 20%. At the same time,

furniture and wood product imports have fallen by 20%. Meanwhile, imports of raw materials have increased by 20%. That indicates that local manufacturers have increased their share of the domestic market.

Still, transportation problems hinder Kosovo's exporters. Nonetheless, KPEP continues to support wood processors in preparing to enter the export market.

- **Sales and furniture design interns are placed in at least three firms. (Achieved)**
- **At least 30 carpentry interns placed. (Achieved)**
- **At least 20 marketing and furniture design interns placed. (Achieved)**

4th Quarter Progress

KPEP supported the AWPB in the implementation of the second wave of its internship program, placing 44 new interns in 16 wood processing companies. KPEP also helped place 14 new marketing and sales and design interns at nine wood processing companies. KPEP and AWPB also provided the interns with five days of training. Finally, KPEP helped place 30 new carpentry interns at 10 wood processing companies.

Year 3 Progress

14 interns received full-time employment offers and 16 interns received certificates of completion following their internships.

- **At least one major order placed with local manufacturers from a new institutional buyer. (Achieved)**

4th Quarter Progress

Nothing to report

Year 3 Progress

Elnor won a tender to furnish two Ministry of Education and Science buildings. KPEP assisted with the sharing of tender information, document preparation and organizing quality control at the firm level.

- **National furniture design competition increases understanding and awareness of importance of design capacity in furniture sector as measured by the number of designers employed in the sector. (Not Achieved)**
- **Furniture design competition supported by interns receives increased interest, as measured by the number of interns engaged in this area. (Not Achieved)**

The activity was dropped. Due to the lack of furniture design capacity at the company level, the activity was dropped for the reported year.

Forestry: Wood Processing

Objective 2: Improve production techniques and business practices

Strategy

Kosovo wood processors need to reduce manufacturing costs and produce products that will meet international standards. Improved production techniques also improve productivity in target firms, as measured by increasing gross labor productivity. This is a crucial measure, despite low wages relative to international norms, since it provides a firm basis for industry expansion. KPEP will continue to focus on improving industry productivity.

Benchmarks

- **At least three firms are able to produce products that meet EN or other internationally recognized standards. (Partly Achieved)**

4th Quarter Progress

Nothing to report.

Year 3 Progress

As a result of KPEP's ongoing engagement, two firms, Elnor and Pejawood, received ISO 9001 certification, the International Certification on Quality Management.

- **At least three companies will improve their costing procedures and speed of process for making offers. (Achieved)**

4th Quarter Progress

KPEP conducted manufacturing cost analyses with the following newly established companies: Deco, Tedes, Elnor, Hilmi Deva and Ahikos.

Year 3 Progress

KPEP conducted manufacturing cost analyses with the following companies, which are developing new products for new markets: Elnor, Hilmi Deva, Ahikos, Lesna inDesign, Deco, Divani and Tefik Canga Design. The companies have acquired basic knowledge on cost centers and pricing policy. They achieved cost reductions on some manufacturing processes, and planned other potential cost reductions as well. KPEP estimates the mentioned companies achieved an across-the-board 3% reduction in costs, building on an overall positive trend.

- **At least two companies adopt HR training outcomes and modify their HR management practice. (Achieved)**

4th Quarter Progress

No activity during this quarter.

Year 3 Progress

KPEP staff and STTAs trained 23 managers and middle managers at Elnor and Tefik Canga Design on improving management skills, teamwork, and setting up company vision objectives and strategies. Both companies have since improved their organizational structures, management practices and made significant investments in developing new business branches.

- **At least two products will receive valid certification according to international standards. (Achieved)**

4th Quarter Progress

Hilmi Deva developed a new type of bunk bed for export, certified to German DIN standards, through the German importer Relita.

Year 3 Progress

Hilmi Deva and Pejawood are producing children's furniture for the German market that meet German DIN standards.

Additional Achievements

- KPEP supported AWPk, with funds and expertise in organizing the Wood industry Job Fair, where 22 wood processing companies announced approximately 58 job vacancies, including 40 carpentry positions; 100 job seekers received training on CV writing and interview skills; 171 candidates interviewed; eight jobseekers received full-time employment. KPEP anticipates there will be additional placements in the next quarter, due to seasonal fluctuations in hiring.
- Lesna in Design has inaugurated a new furniture manufacturing facility in Lipjan/Lipjane municipality. The Lesna group invested 2 million Euros and created 52 jobs. KPEP has offered local expertise for the project.
- The kitchen cabinet manufacturer Gacaferi opened a new showroom in Pristina. Gacaferi produced a new technical catalogue and other promotional materials for its kitchen lines, relying on KPEP's SAF component financial support. Gacaferi has made significant improvements in increasing its domestic market share. The company was supported with local and international expertise.
- KPEP assisted Ahikos in installing a modern manufacturing line used to produce cabinets.
- KPEP assisted Hilmi Deva in gaining support from the EU-funded IOM EU—CSP project, which supplied it with a foil press unit. KPEP has initiated the process.
- KPEP initiated application process for CDF grants for three wood processors. Two won grants, while the third remains in process. KPEP provided consulting assistance in marketing, planning and improving the manufacturing process to both Ardi and Mebelstil.

Forestry: Wood Processing

Objective 3: Strengthen the Association of Wood Processors in Kosovo (AWPK)

Strategy

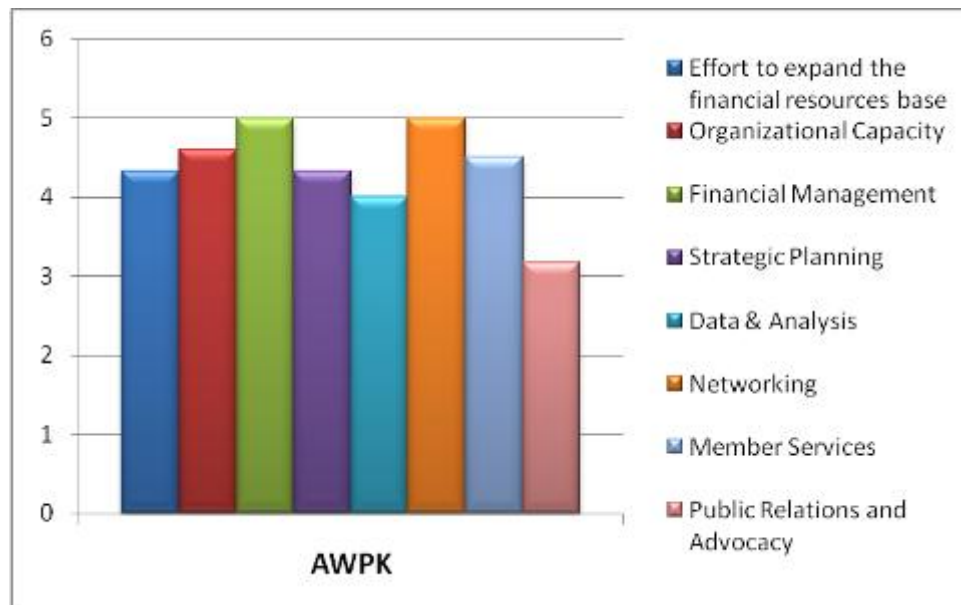
KPEP's goal is to improve the financial sustainability of AWPK, as well as its ability to provide information and value-added services to its members, including lobbying and advocacy. We expect AWPK's rating on the Association Development Index to increase as a result of these initiatives.

Benchmarks

- **AWPK develops annual strategic plan. (Achieved)**
- **AWPK is able to cover 50% of the annual cost of implementing the annual strategic plan. (Achieved)**
- **AWPK index score improves 3 to 4. (Achieved)**

4th Quarter Progress

From the last ADI Report, finalized in September 2011, AWPK's average score for general functionality is 4. This demonstrates that AWPK has improved its functional capacities across a majority of fields. From the second ADI report through to the most recent report, the mean score, which reflects these eight functional elements, has increased by more than 20 percent.



AWPK ADI Chart

The above chart presents how AWPK stands on each of eight elements.

Year 3 Progress

KPEP organized several workshops on developing a strategic plan and annual work plan. AWPK successfully adapted a draft strategic plan and created an annual work plan, which included several KPEP-supported activities. These include trade fairs and the internship program.

Additional Achievements

- KPEP supported AWPK in compiling its annual operational plan. AWPK organized a number of promotional events, with the exhibition of wood processors at fairs in Budva, Montenegro and Pristina representing AWPK's main activities this quarter. KPEP, through its SAF component, financially supported both activities.
- AWPK organized a delegation to Ligna Hannover 2011 in Germany, with 12 representatives from nine firms visiting the international wood processing technology fair.
- AWPK established a relationship with the European Furniture Manufacturers Federation (UEA) and the association of British Furniture Manufacturers (BFM). Subsequently, UEA and AWPK began planning a series of joint activities. AWPK also made several visits to local manufacturers to assess the current status of the furniture industry in Kosovo. AWPK has since become involved in the EU-funded FACTS 3 project, implemented by EUA. A two-day AWPK seminar presented European requirements for the furniture industry and other related topics.

Forestry: Wood Processing

Objective 4: Promote use of biomass as an alternative energy source (Ongoing)

Strategy

The wood-processing sector produces significant wood waste, much of which does not enter into the biomass production sector. KPEP commissioned a feasibility study on biomass in February 2010, which recommended investing in the sector. The study did note that biomass production would be more effective with access to forest resources through long-term leases and that these are currently not available. Increased dependence on sawmill waste ultimately will drive down margins and force the industry into more effective positions however. It is critical that the manufacturing sector see the opportunity to promote the use of its waste in this way and coordinate with biomass producers. KPEP's forest and wood products sectors have a role to play in stimulating this important industry. Currently demand for biomass exceeds supply and this is due to process capacity limitations, and the declining margins due to competitive sourcing of raw materials from sawmills. KPEP will attempt to address it under this objective.

Benchmarks

- **At least two biomass producing firms increase production capacity. (Achieved)**

4th Quarter Progress

KPEP supported the company Thes Ari with Euro 35 thousand grant and consultancy to make it operational. The company has finished setting up the plant and starting production in Klllokot. Our trust to the personal investment of Thes Ari owner brought the company to the attention of other donors. The swiss development fund gave a noninterest loan to Thes Ari to secure expansion.

Year 3 Progress

The Feroda company in Lipjan/Ljipjane relied on KPEP support to increase its manufacturing capacity by 100%, by installing new wood shredders, saw dust silo and dryer.

The MV Lesak company in Leposavic increased its briquette manufacturing capacity by 200%.

KPEP assisted Thes Ari, as noted above, as well as helped industry players across the board to establish business linkages between biomass manufacturers and traders.

KPEP helped attract the German company Brennholzhandel to invest in the processing of forest biomass. The German company has since established a company in Ferizaj.

The biomass study KPEP produced in the last reporting year was translated into Albanian and delivered to a number of local companies interested in investing in the use of biomass as a resource. Two new companies have since shown interest in investing in this area.

Overall, progress in this area has been satisfactory. KPEP-assisted firms have fully established their production lines for the manufacturing of briquettes and wood pellets. KPEP interventions have increased the manufacturing capacity at the project's three client companies fourfold, as they now produce 72 metric tons of processed biomass per shift in total.

Construction: Road

	SAF Budget Estimate	International STTA	Local STTA
Total planned	\$274,000	50 days	0 days
Committed this quarter	0	0 days	0 days
Total committed to date	\$260,810	0 days	0 days

Strategy

KPEP's strategy is to improve road design, improve the skills of construction workers and improve the quality of selected road construction companies. In Year 2, KPEP organized heavy equipment operator training and a lecture series on road infrastructure. KPEP will continue to establish sustainable programs to improve road design and to enhance the skills of construction workers.

Construction: Road

Objective 1: Improve local road design capability

Benchmarks

- **A certification/specialization program on road design and construction supervision is made available to Kosovo engineers and delivered to:**
 - **At least 25 Road Design and Road Construction—Graduate Engineers.**
 - **At least five technical government staff (MTT).**
 - **At least 10 post-graduate students from the Faculty of Civil Engineering.****(Achieved)**

4th Quarter Progress

KPEP met with a Texas Transportation Institute (TTI) representative and the dean of the faculty of civil engineering and architecture at the University of Pristina regarding possibly repeating the road design course. In both meetings, the main issue raised was lack of financial resources.

The dean proposed not relying on student tuition payments but instead decreasing the number of program subjects during the current year in order to reduce project costs and make it possible to repeat the TTI lectures once or twice more.

At this point, KPEP and the dean still seek potential sponsors for this activity.

Year 3 Progress

Thirty engineers completed the road design course and received their certifications on May 24 at the Faculty of Civil Engineering and Architecture, University of Pristina.

The participants included:

- 10 from the road construction industry
- 11 from graduate schools
- 7 from the Ministry of Transport and Telecommunication
- 1 from the Municipality of Pristina
- 4 university professors and teaching assistants



May 24, Ceremony of certification held at the Faculty of Civil Engineering and Architecture

Construction: Road

Objective 2: Upgrade skills of construction workers (Ongoing)

Benchmarks

- 1. At least 25 university students engaged in internships. (Dropped)**

4th Quarter Progress

No activity performed to meet this objective.

Year 3 Progress

Due to lack of demand from the private sector construction industry KPEP decided to cancel this activity.

- 2. HEOTC site and partnerships established. (Achieved)**
- 3. HEOTC established as an ultimately self-sustaining entity. (Achieved)**
- 4. At least two new HEOTC courses. (Achieved)**

4th Quarter Progress

During this quarter, KPEP, through HEOTC, addressed social problems associated with unemployment by training individuals in valuable skills that are in demand by Kosovo road construction companies. These companies too will benefit, through the more effective implementation of their heavy equipment resources and increased personnel utilization. KPEP provided a draft MOU to the Ministry of Labour and Social welfare to engage different stakeholders, such as international donors, implementers and governmental ministries. The MOU addresses the responsibilities of the Ministry of Labour and Social Welfare to the HEOTC, as well as the services that should be provided by KEK, such as training and raising the center's profile among road contractors. Overall, the progress seen this quarter addresses the additional initiatives that the project wants to implement in adding value to the HEO course.

Year 3 Progress

KPEP identified the KEK training center as a key partner in the establishment of the Heavy Equipment Operator Training Center, given KEK's involvement in the use of heavy equipment machinery for their daily coal mining and other operations. To implement this activity and establish the training program, USAID selected the Hevicert Company, which is highly experienced in establishing Vocational Education and Training (VET) programs for heavy equipment operators.

This activity encompasses two rounds of training, which have so far generated 34 certified heavy equipment operators and seven qualified instructors. As a result of this successful initiative, the training certification project should continue for the next two years as well.

KPEP provided to KEK a Joint Stock Company (JSC) sustainability plan and strategy on how to generate income from different sources in order to be financially self-sustainable. Additionally, KPEP helped equip KEK with the curriculum design, syllabus and training materials needed to support the program and to prepare KEK's own staff to also support the assessment and certification of the heavy equipment operator program. KPEP also assisted KEK with submitting the documentation required for government vocational training approval.

The training was well received by both students and road construction companies. Once their first employees successfully completed HEO training, construction companies have shown greater interest in sending additional employees for training. This is one indicator of HEOTC sustainability.



Photo from Heavy equipment certification ceremony



Training of Kosovars in Virtual machines, this first phase of Heavy Equipment training.

- 1. Accreditation of the KEK Training Center—Vocational Training Center—to provide internationally recognized training. (In Progress)**
- 2. Certification of at least 15 welders to higher grades. (In Progress)**

4th Quarter Progress:

KPEP remains on track to meet these benchmarks. KPEP provided support to complete the documents required for the welders training center to comply with local rules and regulations. The center subsequently won local accreditation and certification to local standards.

Year 3 Progress:

A contract has been signed with the selected contractor for the center. Activity implementation began at the end of the third quarter, with the training of eight welders, from KEK's training division as well as representatives from private sector, previously identified as candidates for international certification as instructors. This activity is contractually foreseen to be completed by October 2012.

Construction: Materials

	SAF Budget Estimate	International STTA	Local STTA
Total planned	\$180,000	35 days	20 days
Committed this quarter	\$50,000	0 days	0 days
Committed to date	\$159,000	0 days	0 days

Strategy

The strategy for construction materials focuses on improving architectural design/engineering services in the construction design industry and on assisting building materials manufacturers (BMMs) to be more competitive in meeting local, regional and international demand.

Activities include support to the Ministry of Environment and Spatial Planning (MESP) to establish a professional licensing system for architects and engineers. Activities also include technical assistance support to improve product quality, certify products and companies, provide training and advice on marketing and sales, and support business linkages.

KPEP aims to provide BMMs with technical assistance to improve their production efficiency, product quality and meet international standards.

In order to expand markets for their construction materials products, it is essential that Kosovo firms hoping to decrease imports and enter new markets adopt internationally accepted manufacturing standards. KPEP supports the implementation of such standards at the firm level and through appropriate associations. KPEP also supports building materials manufacturers regarding customer business improvement.

To date, KPEP has identified nine manufacturers that have shown interest in cooperating with the project in seeking assistance and increasing their market share. The companies include Brickos, a clay brick manufacturer in Kamenice; Ecotech, a paint, adhesives and facade factory in Vushtrri/Vucitrn; ABC Plast, a PVC and aluminum door and window factory in Prizren; Profimetal, a metal processing company also in Prizren; Vinex Fasteners, a metal processing and galvanizing factory in Viti/Vitina; Rizam, another clay brick manufacturer located

in Mamushe/Mamusa (Prizren); Extracolors, a paint, adhesives and facade factory in Vushtrri/Vucitrn; and the metal processing company IMN Inox, based in Pristina.

Construction: Materials

Objective 1: Improve architectural design and engineering services

Benchmarks

- **Establishment of a system for the professional licensing of architects and engineers within 2011. (Partially achieved)**

4th Quarter Progress

USAID's BEEP project prepared in September a preliminary draft construction law. KPEP analyzed the draft and prepared a commentary for both BEEP and USAID. BEEP has taken under consideration KPEP's comments regarding the professional licensing of individuals in the construction industry and the overall draft law. Articles on professional licensing will form part of both the new construction draft law as well the existing law.

Year 3 Progress

The overall professional licensing process is ongoing and remains dependent, as far as pacing, on the commitment of the MESP. An Administrative Instruction, prepared with KPEP support, gained approval on May 18, 2011, forming a bylaw in the existing 2004 construction law. MESP began implementation with the minister's nomination of temporary board members on September 28, 2011. Once the names are made public, and the temporary board begins its work some time in October 2011, KPEP may step in to further assist with its implementation. In the meantime, the approval of the Administrative Instruction represents a tangible result in that it defines the policy that will guide the establishment of a professional licensing system. The newly approved bylaw defines the procedures needed to create the new professional chambers and to manage the professional examination and licensing of architects and engineers. Actual implementation remains on track to begin in Year 4, as per the KPEP schedule.



The MESP minister approves the Administrative Instruction during a May 18, 2011, ceremony.

The specific documentation required will include the following:

- ***Develop a legislative instrument required to establish (and to define the role of) Boards to administer the professional examination process for each profession (Architects and Engineers). (Achieved)***

Approval of the Administrative Instruction marks the achievement of this benchmark. The approved Administrative Instruction defines the roles of the boards in administering the professional examination process for each profession.

- ***Documents establishing the procedures for the examinations (documentary administration and examination tribunals);***
- ***Documents establishing the principles of the examinations for each profession;***
- ***Documents establishing the draft examinations; (In progress)***

The three above benchmarks remain tasks to be undertaken during the implementation of the Administrative Instruction. KPEP believes implementation of the Administrative Instruction will start in the first quarter of Year 4.

- ***The legislative instrument required to establish or re-establish the respective professional chambers; (Achieved)***

Approval of the Administrative Instruction marks the achievement of this benchmark.

- ***By-laws and operational rules to be adopted by the governing body of each professional chamber (including membership criteria, professional discipline, administration, subscriptions and so on); (In progress)***

This task should be taken during implementation of the Administrative Instruction.

- ***In due course, the legislative instrument is required in order to transfer the functions of the Boards to their respective professional chambers. (Achieved)***

Specific articles in the approved Administrative Instruction regulate the procedures in transferring functions to the respective professional chambers.

- **A sustainable and fair system for professional licensing of Architects and Engineers (Not achieved/In progress)**

This marks the last phase of an established system for professional licensing. During the process of implementation of the Administrative Instruction, KPEP will continue to support MESP to secure a fair and sustainable system for all design professionals in the construction industry.

Construction: Materials

Objective 2: Assist selected building material manufacturers to become more competitive in meeting local, regional and international demand

Benchmarks

- **At least five manufacturers use KPEP assistance for their growth and become more competitive in the market. (Achieved)**

4th Quarter Progress

KPEP continued to support 15 different building material manufacturers. Two new companies gained KPEP support during this quarter, namely the Inox metal processing company in Pristina and the Onyx marble processor in Lipian.

Both companies expressed interest in further KPEP support, specifically in professional advice on business planning and creating business linkages. Connecting these firms with architects and other businesses may become more than just a good marketing tool.

Vinex won USAID approval for a cost-sharing grant that will underwrite the cost of a new line for the production of guardrails, after passing environmental muster. Vinex is now working to secure certification by an accredited body for its guardrail product in order to win contracts from Bechtel, the Government of Kosovo and others involved with ongoing road construction projects in Kosovo. Vinex is communicating with the EBRD's Business Advisory Services (BAS) program in seeking support for its product certification efforts.

USAID approved a grant for Rizam, enabling it to purchase a kiln tracker used to monitor temperatures during the firing process. It will form part of the firm's internal laboratory—a must-have addition to any firm in this marketplace. Rizam also seeks to build a 12 million to 14 million Euro plant to produce clay roof tiles. It still needs to fulfill certain accounting book requirements before it can secure an IFC loan. The IFC is supporting Rizam in gaining:

- CE (Conformité Européenne) Mark, a standard that will certify that Rizam's products are safe and are in accordance with EU standards, as well as make it possible for it to export them to other countries;
- OHSAS (Occupational Health and Safety Management Systems) 18001, a standard that will improve the security and health conditions of Rizam's 120 employees as well as the company overall; and
- ISO 9001, a standard that will help the company manage the quality of its products.

KPEP also supported Rizam in attending the Izmir Forum in Turkey on September 21-22, 2011. Rizam held five meetings with Turkish companies; follow up is needed with two Turkish companies.

Rizam also faces a strong opportunity in agriculture, in using the surplus heat produced during the firing of its bricks to warm a yet-to-be-built greenhouse on a nearby three-hectare plot. The uninterrupted supply of waste heat would allow the greenhouse operator to realize an estimated 50% savings on heating costs, when compared to traditional methods. KPEP is working to find investors and linkages to assist Rizam in building a tomato greenhouse adjacent to its brick factory.

During this quarter, Brickos invested in a new petroleum coke energy system, replacing a more expensive crude oil-based system. Brickos joins most of its competitors in adopting the cheaper fuel.

Due to this investment, Brickos' efforts, cost-shared with KPEP, to build a new kiln that would enable it to double production were not active during this quarter. Activity should resume in the next quarter.

Year 3 Progress

KPEP has extended assistance to 15 building materials manufacturers and processors, up from nine just a year ago. That assistance comes in different forms, including 1) manufacturer business observation visits and consulting advice; 2) investment cost-sharing grants; 3) familiarizing government institutions on the main problems faced by the industry; and 4) trade fair participation.

KPEP worked substantially throughout the year with clay brick manufacturers, which enjoy a market advantage due to the cost and difficulty of transporting heavy clay products. Overall, companies supported by KPEP enjoyed 1.3 million Euros in increased sales this year, when compared to Year 2. The ongoing investments in Vinex and Brickos eventually should increase sales by another 2 million Euros.

In May, KPEP supported five client companies in participating in the 10th annual regional Expokos construction materials, energy, technique and furniture Fair in Pristina. For most of KPEP's clients that attended, Expokos marked their debut at any such trade fair. Attendance paid off—with Extracolors securing clients in Montenegro, Albania and Macedonia. The firm has since recorded a 10% uptick in sales, compared with the same period last year.

Vinex meanwhile sold Bechtel 22,000 Euros' worth of metal stairs used to access sewage, electrical and other infrastructure buried beneath the roadway, as well as other products. Vinex also sold 10,000 square meters of greenhouses following the fair—sales worth 100,000 Euros at current prices. And it has begun negotiations with seven potential clients interested in guardrails. Rizam also participated in the fair and intends to do so again next year, this time without KPEP's assistance.



The Rizam and Vinex booths at the May 2011 Expokos trade fair in Pristina.

On May 5, KPEP organized a round table with all seven of Kosovo's clay brick manufacturers to discuss the most common and urgent problems they face in growing, as well as how to eliminate existing business barriers. An advisor from the Ministry of Finance was also present. The main problems raised were as follows:

- Kosovo Customs should allow imports of heavy oil that contain more than 2% sulfur, a product ordinary allowed in all neighboring countries. This change will decrease production costs and make firms more competitive.
- Complicated procedures at the Mining and Minerals Commission should be simplified as per Kosovo's context. It seems the existing law, as adopted, better serves geographically larger European countries.
- KEK doubling of energy pricing for manufacturers during the winter season increases production costs. In some neighboring countries, manufacturers are supported by the state with lower energy prices, compared to those paid by residential users.

At the meeting's conclusion, attendees agreed on the need to create a new clay brick manufacturers' association to lobby the Government in representing industry interests. This proposal alarmed the president of the Kosovo Chamber, who later convinced the manufacturers to constitute a group within the existing Chamber.

Companies report this development is both promising and sustainable, as they are now able to effectively articulate their interests to decision makers.



May 5, 2011, KPEP gathers all seven of Kosovo's clay brick manufacturers for the first time.

- **At least three firms develop new markets as a result of applying international production standards to their manufacturing processes. (Not achieved)**

4th Quarter Progress

Rizam Holding, a brick manufacturer in Krushe (Prizren), is establishing an internal lab for the testing of raw materials, technological processes and its final clay products.

KPEP delivered books detailing those Kosovo standards now harmonized with European standards to its clients. Meeting product standards will be a long and expensive path for small manufacturers in Kosovo.

Year 3 Progress

Some companies have begun to invest in applying standards but acknowledge it is a time-taking process. Some product certifications may take three months to a year, as in the case of plastic pipe certification.

- **Three locally manufactured building products received international certification. (In progress to be achieved)**

4th Quarter Progress:

KPEP has identified testing and certification organizations in Vienna that are fully accredited to certify Ferplast's pipe products. KPEP is ready to cost share this investment with Ferplast, but the activity depends on whom Ferplast chooses as the major investor. So far, the initial offer to

certify the firm's water pipes was higher than expected. Ferplast has sought another less expensive offer. It seems Ferplast is not ready to invest in the process at this time. Indeed, with the exception of EU tenders, Kosovo does not require product certification in order to bid. A different option for Ferplast may be to certify products only when necessary and instead use its budgeted resources to increase production.

Year 3 Progress

Smaller companies, which constitute a majority in this sector, will need more time before investing in international product certification.

KPEP has begun informing its clients that the EBRD BAS program, as well as the IFC, can help share the costs of certifying companies and their products.

- **Assisted firms realize an additional 500,000 Euros in increased sales.(Achieved)**

4th Quarter Progress

Vinex has started to produce guardrails yet still seeks product certification. Still, inauguration of its new production line should attract government interest in including Vinex in ongoing and future road projects.



The Brickos brick company is investing in construction of a new kiln that will enable it to increase production by 100%. It remains assured the local market can easily absorb the increase.

Year 3 Progress

KPEP's clients have enjoyed 1.3 million Euros in increased sales this year. Investments by Vinex and Brickos will add another 2 million Euros in sales.

Sales increase can be seen in the Performance Based Management System (PBMS) table.

- **20 new jobs created in assisted firms.(In progress)**

4th Quarter Progress

Vinex has launched its newest line to produce guardrails, which should create 25 jobs. KPEP contributed via a 10% cost share. To date, no similar product is manufactured in Kosovo. The investment introduces a new product on the local market, and a 60% import substitution rate. Brickos' investment in a new kiln has been delayed due to an urgent need to invest in a petroleum coke system.

Year 3 Progress

KPEP is supporting Brickos with a cost-sharing investment to build new tunnel kiln for the production of bricks. This investment will create 30 jobs, increase clay product production by 100% and support a 6% import substitution rate in the brick market. Domestic brick production fulfills 60% of Kosovo's demand for this essential building product; Kosovo imports much of the balance from Serbia.

- **At least two firms export a product to a new market. (In progress)**

4th Quarter Progress

Ferplast has begun exporting plastic pipes to Albania. Due to the new highway, transport costs have decreased considerably for Ferplast.

KPEP expects Vinex to begin exporting guardrails to Albania and Montenegro.

Year 3 Progress

Most construction materials manufacturers are not yet consolidated in the internal market. The largest companies have had, since privatization, just three to four years of experience in the market. Exports generally in this industry remain an objective to be reached in the months and years to come. At present, the industry works mainly on import substitution, with progress in this direction seen in increasing sales. Due to the lack of European norm accredited product testing and local certification bodies, exports still face huge challenges. At this stage, manufacturers consider it too expensive to rely on testing and certification bodies based in EU countries.

Information Communication Technology (ICT)

	SAF Budget Estimate	International STTA	Local STTA
Total	\$242,000	20 days	10 days
Committed this quarter	\$0	0 days	0 days
Total committed to date	\$67,153	16.5 days	10

Sector Strategy

The Year 3 work plan foresaw Kosovo becoming a regional leader in Business Process Outsourcing (BPO), custom IT services for regional businesses and government IT solutions and a communication technology hub.

KPEP will foster ICT industry growth by focusing on six key objectives based on the project's analysis of where the sector was, at Year 2 in the project, in terms of readiness to grow. KPEP anticipates potential for increased Foreign Direct Investment in BPO based on global growth in BPO and the readiness of the workforce in Kosovo (particularly with regard to foreign languages spoken). KPEP also believes that there is great potential to improve product offering, sales and marketing of customized IT business solutions and government solutions. Kosovo IT firms can do this both within Kosovo and in the region. Consistent with those improvements, a further objective of KPEP is establishing Kosovo as a regional communication hub, particularly based on the IXP (Internet Exchange Point) work done thus far. Improving the legal and regulatory environment with regards to IT is another objective of KPEP in order provides a framework for firms to grow. KPEP also sees the Kosovo Association of Information and Communication Technology (STIKK) as a key industry player and will support it to increase its ability to support firms and to identify further interventions to improve the workforce in ICT.

ICT

Objective 1: Promote foreign direct investments in BPO

Strategy

BPO has been seen by many as the greatest opportunity for creating a substantial number of employees in Kosovo's ICT sector. Requiring knowledge of foreign languages, especially English and German, and basic computer literacy, this subsector of ICT offers many employment opportunities from low-skilled call center agents to highly skilled computer engineers managing telecommunication networks abroad. KPEP has seen many success stories already in the market such as 3CIS and MC Communications. Kosovo offers a young skilled workforce proficient in foreign languages that is ideal for BPO business. IDC, an ICT market intelligence firm, reports that this sector will grow by nearly 70% in the next three years. KPEP believes that the growth should be much higher following new developments this year.

Benchmarks

At least two companies invest in Kosovo's BPO sector, with at least 60 new hires in this subsector. The foreign investment should generate at least \$150,000 worth of IT goods and services procured locally. (Partially Achieved)

4th Quarter Progress

KPEP assisted a Swiss-based company to establish a contact center in Pristina. The center is expected to start operations in Year 4 by employing contact center agents who would serve inbound voice outsourcing services for the Swiss market.

Year 3 Progress

KPEP promoted the Kosovo BPO sector as an attractive investment destination to both local and international investors by engaging several IT and BPO companies in Kosovo interested in investing in this sector. KPEP anticipates the project's support will lead Kosovo firms with strong business ties to German-speaking countries to start piloting BPO operations in Year 4.

Earlier in the year, KPEP organized meetings with top executives from leading Indian BPO firms such as Wipro, Aegis and AXA Business Services as well as with NASSCOM, India's premier trade body, and the chamber of commerce of the IT-BPO industries representatives. The Deputy Chief of Party and an international STTA based in the Silicon Valley conducted the meetings. The meetings resulted in continued interest from at least two companies.

- Since Kosovo firms showed minimal interest in attending the CallCenterWorld fair in Berlin, Germany, KPEP supported ICT association participation in the CeBIT fair in Hanover, Germany. There, three local ICT firms, Rrota, Logistics Plus and PBC, presented their products. The firms, along with STIKK, made 107 new contacts.

At least 100 people trained and hired to work as call center agents. (Dropped)

4th Quarter Progress

No Activity.

Year 3 Progress

KPEP dropped this activity because, disappointingly, STIKK did not complete the project deliverables on time. STIKK has failed to demonstrate that it can meet the benchmarks outlined in the contract.

The Investor Guide (1) promotes Kosovo call centers to entrepreneurs and local and international investors and (2) facilitates the establishment of new call centers.

Approximately five existing call centers improve their operations or new investors believe their investment was facilitated as a result of information contained in the guide. (Achieved)

4th Quarter Progress

Activity completed in previous quarters.

Year 3 Progress

KPEP used the Investor Guide produced in Quarter 1 to attract FDI from Indian BPOs as well as other foreign investors. The Investment Promotion Agency of Kosovo (IPAK) was pleased with the guide and started using it as part of its investment promotion activities. This guide serves as an essential marketing tool to attract more local and foreign investment in this sector. A number

of businesses are using the guide as well to present BPO opportunities to potential investors or clients, in the case of local BPO ventures. Moreover, IPAK published the guide on its website and produced printed copies distributed at the CeBIT IT fair in Hanover and in IPAK's own offices.

Additional Achievements

KPEP promoted the Kosovo BPO sector to the CEO of one of the largest call centers in Sofia, Bulgaria. KPEP raised awareness about the sector's potential to local investors.

KPEP increased awareness of the BPO investment potential in Kosovo and gained support from government stakeholders, such as IPAK, the Kosovo Ministry of Trade and Industry and the Kosovo ICT Association. As a result of KPEP's promotion of the sector, other donors, including the Community Development Fund, have committed to investing in this sector.

ICT

Objective 2: Improve product offering, sales and marketing of customized IT business solutions and government solutions for the local and regional market (Cancelled)

Strategy

According to market intelligence reports produced by IDC, the IT services sector will grow by 70% in the next three years, led by spending in systems, integration, application development and information system consulting. The recent commercialization of the Pristina airport, the potential privatization of PTK, as well as the growth of telecom, banking, finance and retail industries will further increase demand for custom IT solutions for these businesses. KPEP has identified that there is a knowledge gap between market needs and ICT sector capabilities. Furthermore, the government's ambitious plans to improve ICT infrastructure (Electronic Governance Strategy 2009–2015) as well as donor plans to improve the country through technology investments will create further demand for IT solutions. KPEP will support ICT firms in their sales and marketing efforts to increase sales and hire experts to support their sales growth by promoting IT solutions developed by Kosovo's ICT firms.

Benchmarks

30 local and international companies exhibit at the ICT fair. The event leads to new opportunities for local and international ICT firms to expand their product offerings and outsourcing potential in Kosovo. (Cancelled)

4th Quarter Progress

No activity.

Year 3 Progress

Cancelled due to low interest from ICT firms in participating in a local ICT fair. Otherwise, KPEP fostered a partnership between one of Kosovo's largest ICT firms and a Bulgarian ICT company with substantial presence throughout the region. The partnership will allow the Kosovo ICT firm to expand its product offerings in both Kosovo and Albania.

The activities outlined in this objective should generate 25 new employees and \$200,000 in transactions. (Cancelled)

4th Quarter Progress

No activity.

Year 3 Progress

Cancelled due to low interest from ICT firms.

ICT

Objective 3: Foster growth of communication technology via regional expansion (Ongoing)

Strategy

Kosovo has the opportunity to become a regional communication technology hub using its well-trained workforce in network technology (CISCO trainings, Microsoft trainings, numerous ISPs, etc.). Further investments from last year, such as the IXP and Information Security training, will increase the sector's competitiveness to develop further local content and applications as well as content storage systems such as web hosting and servers for large information systems.

Benchmarks

KPEP's contribution to IXP finalized. (Achieved)

4th Quarter Progress

Activity completed in previous quarters.

Year 3 Progress

KPEP continued to work with all stakeholders to finalize the first Kosovo Internet Exchange Point (IXP). KPEP initiated the procurement for a portion of the equipment and encouraged Cisco to donate a majority of the required equipment. In the second quarter, KPEP finalized its contribution and all required equipment, including that donated by Cisco, was delivered to the IXP premises. The IXP manager, together with a technical specialist from Packet Clearing House, successfully installed the equipment. Kosovo's IXP was successfully launched at an opening ceremony organized by the Telecommunication Regulatory Authority (TRA) on June 23. Donor leveraging from project partners made the effort a success. Specifically, KPEP secured additional funding from the Royal Norwegian Embassy, Cisco Systems and Packet

Clearing House to achieve substantial cost savings without altering the quality of the project. The IXP should lead to new investments in locally housed data center projects.

TRA assumes leadership of an operational IXP. (Achieved)

4th Quarter Progress

Activity completed in previous quarters.

Year 3 Progress

TRA hired an IXP manager to lead Kosovo IXP operations as of May 2011. The IXP manager worked with Packet Clearing House to complete the IXP installation and is now managing IXP operations.

Three local companies obtain ISO 27001, an internationally recognized security certificate that will help local ICT companies compete in local and regional tenders that require IT Internet security services. (Cancelled)

4th Quarter Progress

No activity.

Year 3 Progress

KPEP canceled this activity due to a low ROI and insufficient demand from industry.

ICT

Objective 4: Strengthening STIKK and developing a long-term strategy for its sustainability (Ongoing)

Strategy

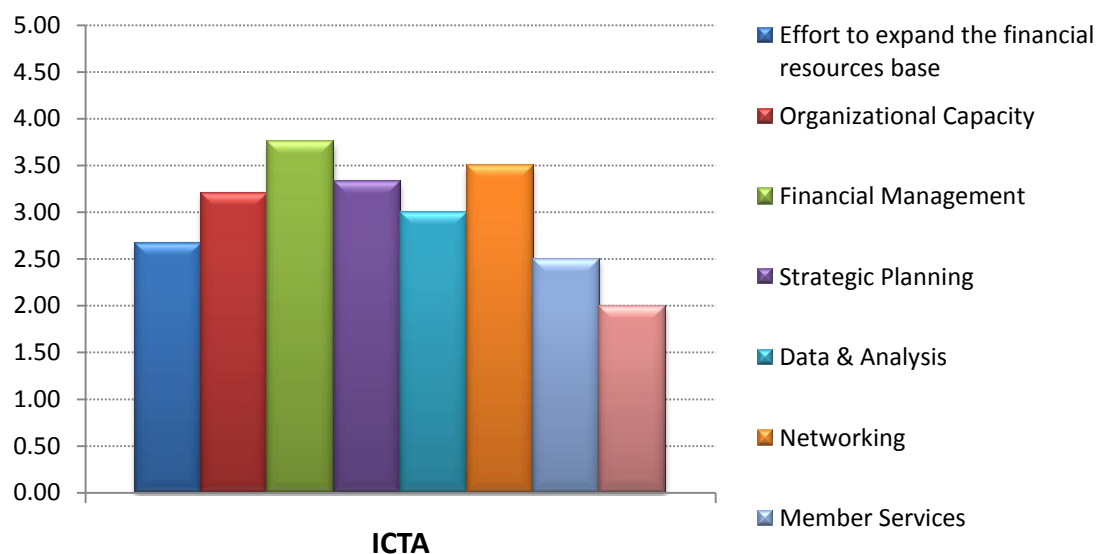
A strong industry association is vital for ICT sector growth. In Year 3, KPEP strengthened STIKK by enrolling more ICT community members and developing a long-term strategy for its sustainability. Furthermore, KPEP supported STIKK to advocate on issues affecting ICT sector growth and competitiveness.

Benchmarks

KPEP will assess and quantify the ICT association's progress to update the Association Development Index (ADI) tool from Year 2. STIKK's ADI index score will increase from 3.1 to 4. (Achieved)

4th Quarter Progress

In this quarter, KPEP's Business Support Services component finalized STIKK's ADI Report.



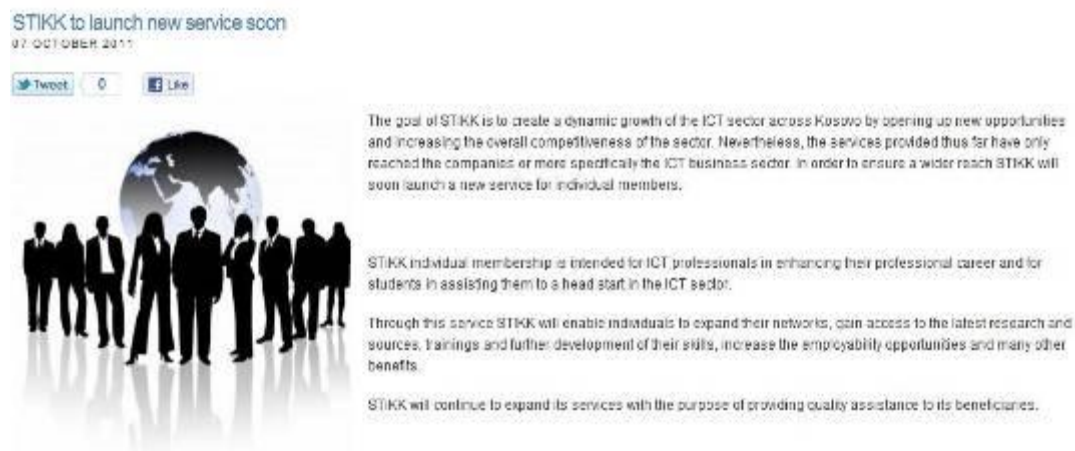
Year 3 Progress

From the last ADI report, finalized in September 2011, STIKK's average score for general functionality was 4. This demonstrates that STIKK has improved its functional capacities across a majority of fields. From the second ADI report through to the most recent report, the mean score, which reflects these eight functional elements, has increased by more than 20 percent.

KPEP will develop new member services, including individual membership. (Achieved)

4th Quarter Progress

KPEP helped STIKK finalize all individual membership services for its professional and student members. As a result, STIKK announced it will launch this service very soon, as illustrated in the below screenshot from its website:



Year 3 Progress

KPEP researched various individual membership models and then presented them to STIKK. In Quarter 3, KPEP designed and developed a comprehensive package for introducing the individual membership service to professional and student members.

STIKK will develop a five-year strategic and financial sustainability plan. (Achieved)

4th Quarter Progress

Activity completed in previous quarters.

Year 3 Progress

This activity was completed in Quarter 3 as part of an effort to increase STIKK's ADI index. In Quarter 3, KPEP provided support to STIKK to 1) finalize its strategic plan and 2) to create an annual work plan for the next three years.

At least 30 university students recruited and placed in firms. (Achieved)

4th Quarter Progress

Activity completed in previous quarters.

Year 3 Progress

KPEP modified its approach for this benchmark by working directly with firms with a demand for interns; KPEP also continued to work with STIKK to place interns for its members. A few companies have approached KPEP with grant applications to fund internship programs at their firms. STIKK also continued to recruit interns to be placed in ICT firms; according to STIKK, ICT firms recruited 60 interns. KPEP continues to work with STIKK to identify opportunities to increase employment opportunities for interns following completion of their internships.

At least 70% of interns hired full-time following graduation. (Partially Achieved)

4th Quarter Progress

STIKK continued to recruit interns for placement in ICT firms, with those firms recruiting 60 interns so far, according to STIKK.

Year 3 Progress

Preliminary results provided by STIKK indicate that 30% of interns were offered a full-time job after completing their internships.

ICT

Objective 5: Improve the legal and regulatory environment for the ICT sector

Strategy

One of the most widely agreed upon issues for ICT sector competitiveness remains needed legal and regulatory reform that would lead to Kosovo's being at least comparable to other states within the regional competitiveness environment. Specific issues, such as the import tax on computer equipment, stand out as an obstacle for Kosovo ICT sector competitiveness. KPEP will support STIKK in advocating for legal and regulatory reform to create a competitive legal and regulatory environment that would attract FDI in the ICT sector and increase competitiveness of local ICT firms.

Benchmarks

STIKK employs the analysis in the regional ICT legal and regulatory comparison report and makes recommendations to improve the legal and regulatory environment for ICT sector competitiveness. (Cancelled)

4th Quarter Progress

No Activity.

Year 3 Progress

- KPEP cancelled this activity after STIKK, in collaboration with UKAid and Crimson Capital, produced a similar report.

KPEP will assist STIKK to organize its advocacy efforts and to lobby for enhanced competitiveness in the industry. (Partially Achieved)

4th Quarter Progress

No Activity.

Year 3 Progress

KPEP advocated on behalf of STIKK at the AmCham Competitiveness Committee and presented its case for regulatory reform as a means to achieve industry growth. STIKK did not demonstrate its own initiative for advocacy or lobbying, despite KPEP's offer to support these efforts.

ICT

Objective 6: Develop tailored trainings based on the recommendations of the ICT Skills Gap Analysis (Ongoing)

Strategy

The continued evolution of ICT technology is creating new demand for IT skills that complement the general computer science and telecommunication education taught at Kosovo's educational institutions. KPEP conducted a skills gap analysis of the ICT sector in Quarter 4 and based on findings, will explore opportunities to develop specific curriculum and training to ICT companies through STTAs.

Benchmarks

**Develop and deliver training commensurate with the findings of the skills gap analysis.
(Partially Achieved)**

4th Quarter Progress

No activity.

Year 3 Progress

In Quarter 1, STIKK began to develop a skills gap analysis by compiling a questionnaire for ICT firms and ICT educational institutions. In March 2011, STIKK completed the first draft of the skills gap analysis report. KPEP sent its comments and feedback to STIKK, in anticipation of receiving back a final report with incorporated comments and necessary revisions. KPEP received the final skills gap analysis report, but it did not specifically recommend training programs that address the skills gap in the industry. The report recommended policy changes and reforms in the educational sector rather than quick interventions that can remedy the skills gap in the industry. The report was presented June 22.

Tourism

	SAF Budget Estimate	International STTA	Local STTA
Total planned	\$208,000	42 days	100 days
Committed this quarter	\$47,522	0 days	0 days
Total committed to date	\$111,837	42 days	100 days

Sector Strategy

KPEP will promote tourism on a regional basis, targeting the previously identified Dukagjini region as its primary target. Additionally, KPEP will significantly move from promotion at the local level, adjusting our focus to integrate regional destinations into international tour programs. At the same time, KPEP will focus its energies on stimulating holistic tourism investments in target regions – specifically the Rahovec/Orahovac municipality and its environs, increasing the quality of service offering across the board. We will continue to support the promotion of Kosovo through international exposure such as the ongoing National Geographic activity, improved web presence for the sector offerings and participation at appropriate international travel fairs. We will stimulate increased commitment of the municipalities in supporting both financially and morally, the growing tourism sector – especially in Rahovec/Orahovac. KPEP will continue to work at leveraging resources from other sources in support of these activities.

Objective 1: Improve marketing of Kosovo as a tourist destination (New)

Objective Strategy

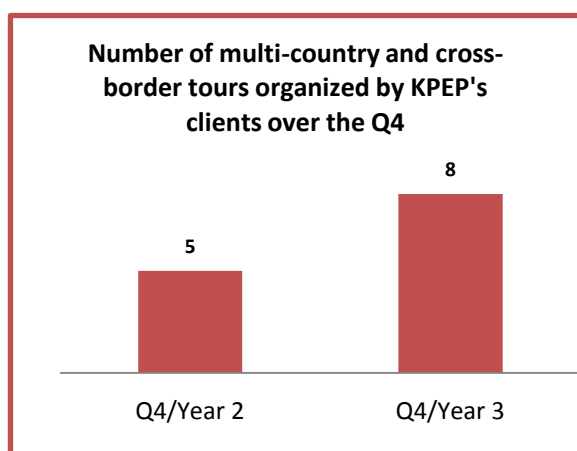
KPEP will strategically target specific countries by integrating micro- and macro-marketing (in a public-private cooperation) and by aligning efforts with other donors. In addition, KPEP will work on forging regional cooperation among Balkan countries and through cross-border initiatives to strengthen the concept of regional marketing. KPEP will continue its marketing and promotion

efforts, focusing on the target markets of Albania and Turkey, which will result in increased numbers of multi-regional tours and new FDI.

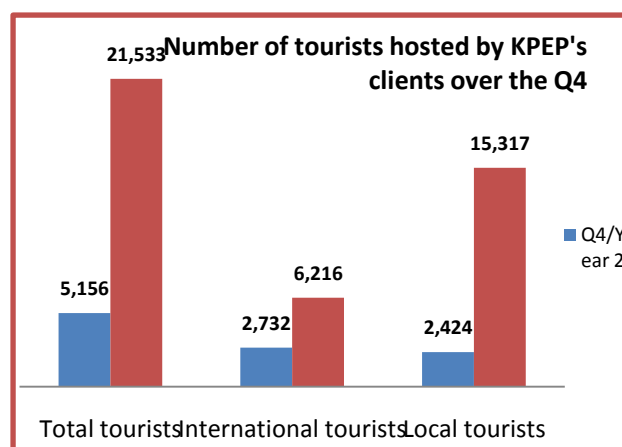
Benchmarks

At least a 50% increase in the number of multi-regional tours and international tourists hosted by KPEP clients. (Achieved)

4th Quarter Progress



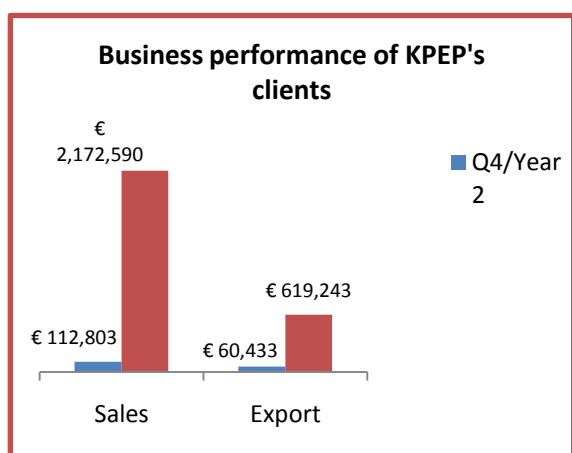
160% increase in multi-country and cross-border tours



418% Increase in total tourists

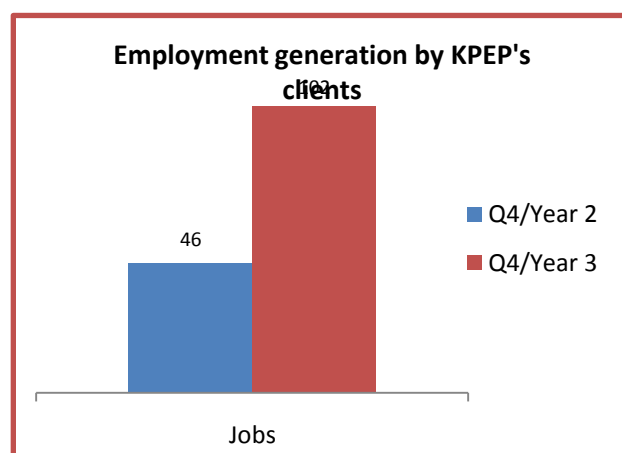
228% Increase in international tourists

632% Increase in local tourists



1,926% Sales increase

1,025% Export (international tourism)



222% Employment increase

receipts) increase

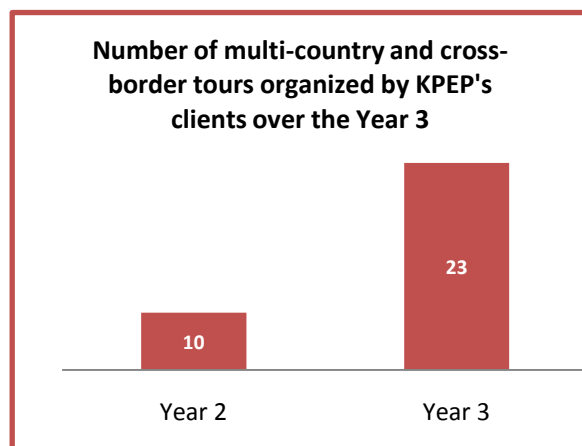
Although in general the effects of marketing activities can be slow to become apparent, KPEP's investments in improving the marketing of Kosovo as a tourist destination are producing quick results. In this quarter, KPEP did not undertake any promotional activity, leaving space for our clients to organize themselves in promoting their tourism offerings. Their success in the July-September period was extraordinary, confirming that tourism is becoming one of the major sources of foreign exchange for Kosovo. Compared to the same period a year earlier, KPEP clients reported a twenty-fold increase in sales, with a value of more than 2 million Euros, with tourist numbers up by 418%. Likewise, the number of domestic tourists grew by 632%, suggesting an increased awareness among the local population of Kosovo's tourism sites and destinations.

The International Tourist Arrivals (ITAs) grew 228%, as did their spending, by 1,025%, compared to the same period a year earlier (Note: members of the Kosovar diaspora are not included in these figures). Full time employees increased to 102, compared to 46 in the same period of last year, an increase of 221%.

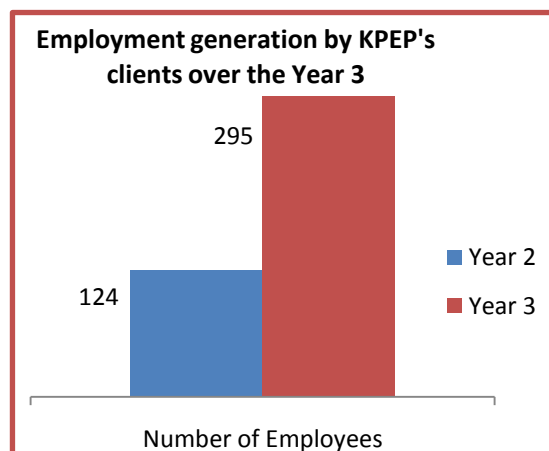
During the quarter, various KPEP clients helped organized eight new regional and cross-border tours that included stops in Kosovo, along with Albania, Montenegro and Macedonia. The tourists included natives of Denmark, Italy, France, Germany, Poland and Taiwan.

KPEP also participated in promoting the Western Balkans as unified tourism destination, through USAID's Regional Competitiveness Initiative. KPEP, KosovoGuide and the Ministry of Trade and Industry (Department of Tourism) all presented the tourism potential of Kosovo during the Regional Tourism Conference held September 20-21, 2011, in Sarajevo, Bosnia and Hercegovina.

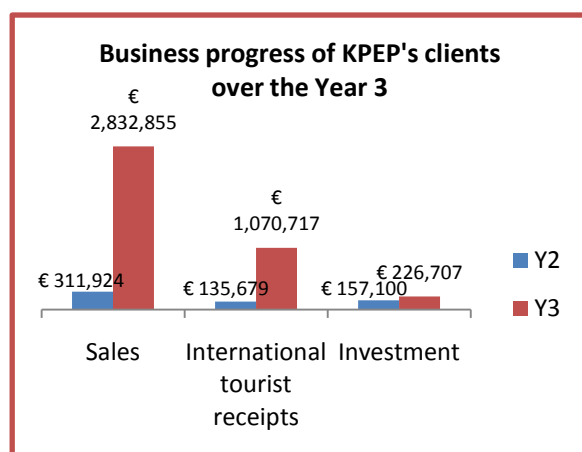
Year 3 Progress



230% increase in multi-country and cross-border tours



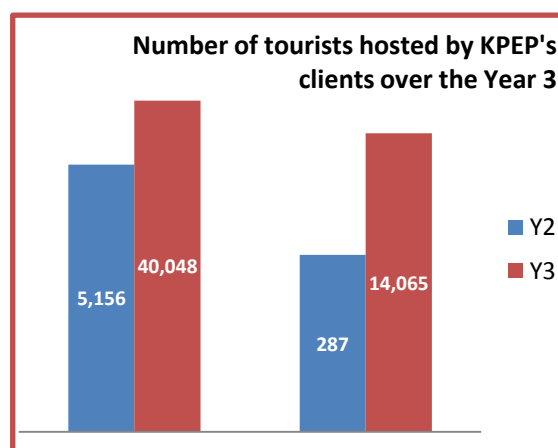
238% Increase in full-time employees



908% Sales increase

789% Export increase (international tourism receipts)

144% Investment increase



777% increase in total tourists

4,901% increase in international tourists

These investments and the increasing inclusion of Kosovo in regional tours resulted in KPEP's clients hosting more than 40,000 tourists during Year 3. The tally includes 14,000 international tourists, a huge jump from the 287 hosted last year. Although this number partly reflects a change in KPEP tourism portfolio over the year, it indicates very strong growth in this sector. In addition, this year our clients included Kosovo in 23 multi-country and cross-border tours, compared to just 10 a year earlier, representing an increase of 230%. As part of the wider appreciation of Kosovo as a destination. KPEP has continued to support the initiative of USAID

Europe and Eurasia Bureau Office in Washington in developing the Western Balkans Geotoursim website which will be launched in 2012 at the Berlin International Tourism Fair.

- **Commitment received for at least one new foreign direct investment in the tourism sector in Kosovo. (Achieved)**

4th Quarter Progress

KPEP, along with IPAK, the Kosovo-Turkish Trade Chamber and Izmir Chamber of Commerce, convened the Kosovo-Izmir Business and Investment Forum in late September to explore opportunities for business linkages and FDI. Conference participants included 13 Kosovo companies representing both tourism and other sectors, as well as 30 Turkish companies. As a consequence, the Izmir Chamber of Commerce plans to send a group of Turkish investors to Kosovo to learn firsthand about investment possibilities in the tourism sector.

Year 3 Progress

In the wake of the Izmir forum, the Turkuaz Company along with three Istanbul-based partners are identifying opportunities for investing in the development of conference and event tourism in Kosovo. The company's owner, Mustafa Ulu, has leased the Hotel Lord in Pristina with the goal of turning it into a hotel catering to travelers on business.



Turkish newspaper coverage of the Kosovo-Izmir Business and Investment Forum.



The Regional Tourism Conference held in Sarajevo, Bosnia and Hercegovina.

Objective 2: Develop integrated tourism offers for two destinations (New)

Objective Strategy

KPEP will expand the sector strategy to develop integrated tourism offers in the Rahovec/Orahovac region, and to identify opportunities in the Dukagjini region. KPEP will work with these two target regions to develop sustainable destinations, which increase the quality and number of tourism products and services, while promoting the creation of a network of local destinations for collective marketing and increased tourist access and stay duration within the country. This will lead to increased economic benefits.

Benchmarks

- **At least two new wine tourism offers generate international tourist interest and participation. (Achieved)**

4th Quarter Progress

The wine tourism strategy commissioned last year by KPEP envisions the comprehensive development of tourism-related infrastructure (signposting, tourist information office, etc.), product development (wine & hike, wine & bike, wine & dine, wine events and festivals, theme hotels with respect to wine and grapes, vineyard wine tastings, etc.) and the integration of Rahovec/Orahovac region in a broader regional and cross-border tourism context. The Municipality of Rahovec/Orahovac, Tourism Information Center and members of Wine Tourism Task Force worked together with support from KPEP, addressing the key recommendations from the wine tourism strategy, and implemented the following activities over the quarter with KPEP's support and assistance of Elmar Kunz, our international tourism consultant:

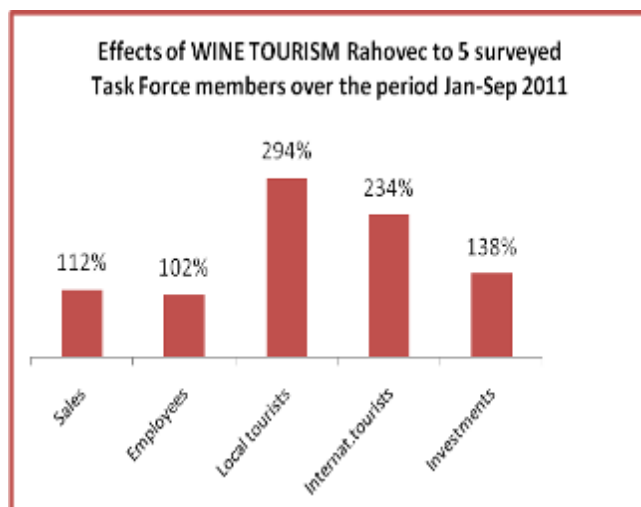
- Six initial tour itineraries for different target groups, have been compiled and are ready to be customized, fine-tuned and marketed at both the national and international level (see the "Tours" link on this webpage: www.rahovectourism.com).

- With KPEP partial financial support and council, a local company implemented a tourism awareness and cleanliness campaign in order to address the issue of waste, considered one of the main negative aspects of Rahovec/Orahovac.
- Increased destination marketing activities for the Rahovec/Orahovac region included:
 - Supporting local tourism company to create the website www.tourismrahovec.com.
 - Supporting a local company to create a tourist map to Rahovec/Orahovac, providing key information in both Albanian and English.
 - Newsletters and direct marketing activities to selected addressees
 - Tourist Information Center and Municipality of Rahovec/Orahovac undertook PR & media activities (interviews, press articles), as live communication instruments helping to promote the region's assets as well as wineries and their products
 - KPEP continued to support KosovoGuide to included Rahovec/Orahovac's wine tourism offers in www.kosovoqguide.com.
 - We worked with the Rahovec/Orahovac Municipality and catalyzed the first-ever wine and culture festival in Rahovec/Orahovac, held September 7-9, fostering greater awareness locally, nationally and internationally.

Year 3 Progress

KPEP commissioned the strategy for the Rahovec/Orahovac region as a wine tourism destination in 2010. The project dedicated considerable effort over the current year in helping implement its key recommendations, including establishment of a tourist information center and various marketing campaigns.

To assess the effects of wine tourism in the Rahovec/Orahovac region, KPEP conducted a brief survey with five member companies of the Wine Tourism Task Force. The primary purpose was to quantify both the economic impacts of winery visitors and wine production in Rahovec/Orahovac between January and September 2011, following implementation, with KPEP support, of the key recommendations made under the wine tourism strategy. The graph below illustrates the main benefits.



During the same period, the Municipality of Rahovec/Orahovac reported registering 110 new businesses, with overall business tax revenues increasing 120%. To support the further economic growth of the region, including wine tourism, the municipality made more than 4 million Euros in capital investments, representing an increase of 105% over the same nine-month period a year earlier. Furthermore, it also applied for 350,000 Euros in European Commission wine routes funding to increase awareness of the community and business benefits of wine tourism, fully demonstrating their strong commitment to this sector.



Members of the International Ladies Club on a wine tasting tour in Rahovec/Orahovac, organized by Tourism Information Center in Rahovec/Orahovac



“Let’s Do Tourism and Business” brochure as part of the Rahovec/Orahovac tourism awareness campaign supported by USAID.

International study tour conducted. (Achieved)

4th Quarter Progress

Activity completed in Quarter 2.

Year 3 Progress

Ten members of the Wine Tourism Task Force benefited from USAID World Learning supported study tour on wine tourism conducted in Tuscany/Italy on March 14-19, 2011. The participants from Rahovec/Orahovac and Gjakova/Djakovica had a chance to see firsthand how the wine tourism industry works in Tuscany and to learn about best practice examples that involve public and private sector initiatives. Results have been clear:

- the Hotel Qarshja e Jupave in Gjakova immediately started to plan investment into an vinotheque,
- The conceptualization of a 3-day wine and culture festival implemented by the Rahovec/Orahovac Municipality was prompted by this visit
- The private sector commitment to the Information Center was a key outcome of this tour.
- **Increased the number of small businesses involved in tourism in targeted regions.**

(Achieved)

4th Quarter Progress

KPEP launched a tourism awareness campaign to encourage the community in Rahovec/Orahovac to launch businesses and other activities linked to its potential as a destination. These include opening bed and breakfasts, developing local cuisine offers, selling traditional handicrafts and staging both folklore performances and demonstrations of traditional rural practices. The campaign was then followed by the Wine and Culture Festival 2011, organized by the municipality. KPEP provided technical assistance on event conceptualization, negotiation with sponsors, looking for sub-contractors, preparing participants for a qualitative exhibition, etc.

Year 3 Progress

Fourteen companies actively joined the network of tourism businesses involved in developing Rahovec's potential as a wine tourism destination. Another 30 businesses from the region attended the Wine and Culture Festival 2011.

KPEP also targeted the Dukagjini region, with its six municipalities and unique natural beauty and cultural heritage, as a tourism destination. Rugova Experience, a KPEP client, joined with two other nongovernmental organizations, Era and Marimangat e Pejës, in luring 120 experience providers from the Dukagjini region to join a network of tourism businesses. The network has since become the largest of its kind in Kosovo.

- **Development of at least two new products through regional offers. (Achieved)**

4th Quarter Progress

The European Commission continues to concentrate its funding efforts on Dukagjini, so KPEP did not focus on the region over this quarter. KPEP did support the third edition of the *Stay the Weekend—Experience Dukagjini Valley* regional tourism street fair held in Pejë/Pec on September 10-11, 2011. The event included 103 experience providers and generated more than 20,000 Euros in sales. This represents an increase of 54% over the previous year, with the number of participants increasing by 47%. Additionally, Rugova Experience, a KPEP client, introduced three regional tour itineraries during the fair, attracting 58 international and local tourists, or three times the number to do so a year earlier.

Year 3 Progress

KPEP continued to implement the fundamentals of Destination Management and Marketing (DMM) at the community level in the Dukagjini region. KPEP also promoted the creation of a network of municipal-based destinations, as part of a collective marketing effort that targets increased tourist access and stay duration within Kosovo. KPEP's commitment to encourage the municipalities within the Dukagjini region to support the common objective of tourism economic development has generated some initial results. For example, the Pejë/Pec municipality received a 540,000 Euro grant from the European Commission for the Dukagjini and Rugova Valley Access Programme, which included the municipalities of Pejë/Pec,

Deçan/Decane and Junik. The project aims to integrate the cultural, hiking and biking trail network in the Dukagjini Valley into one system, with modern sign postings.



Hotel Dukagjini displays its gourmet cuisine at the Peje/Pec Tourism Street Fair 2011



International tourists tasting Stone Castle wines at the Peje/Pec Tourism Street Fair 2011

Objective 3: Strengthen the Kosovo Tourism Association (KOTAS) and the Kosovo Alternative Tourism Association (KATA) (New)

Strategy

KOTAS and KATA represent key associations in the development of Kosovo's tourism sector. KPEP will continue to support these associations in order to provide support to its members.

Benchmarks

- **KOTAS's ADI index score will be increased from 2 to 4. (Not Achieved)**

4th Quarter Progress

The KOTAS Association continues to lie dormant with no executive director in place. The situation prevented KPEP from performing the Association Development Index assessment to measure its progress against the baseline.

Year 3 Progress

While KPEP has worked for some time with KOTAS as an implementing partner for KPEP's tourism initiatives, the current KOTAS governance structure and the lack of broad member involvement, raises serious questions about the transparency and legitimacy of the association. Considering also its dormant status, KPEP has discontinued cooperation with the association.

- **At least one new member service will be developed. (Achieved)**

4th Quarter Progress

KPEP and Peje/Pec municipality selected the Kosovo Alternative Tourism Association (KATA) to organize the Peje/Pec Tourism Street Fair 2011. As a result, the association gained three new members.

KPEP's cooperation with Kosovo's embassies abroad on various economic diplomacy initiatives led to its embassy in Vienna to invite KATA for a two-day visit in September, enabling it to exchange its experiences with Austrian tourism associations and to identify opportunities for cooperation.

KATA also recently registered a tourism information center in Bonn, Germany, in partnership with two members of the Diaspora resident there enabling improved member services by being present in Germany.

Year 3 Progress

KPEP supported and provided consultancy to KATA, enabling it to launch a new member service regarding the Administrative Instruction for the Classification and Categorization of Hotels. It organized seven workshops in partnership with the Ministry of Trade and Industry (MTI) and, supported by the TAM-BAS program, with 140 hotelier companies from across Kosovo participating. Feedback encouraged the MTI's Department of Tourism to make changes to the respective Administrative Instruction as well to the overall Tourism Law. In addition, KATA provided several services to its members relative to their participation in tourism fairs in Tirana, Albania; Izmir, Turkey; and Pristina.

- **KOTAS/KATA will develop a five-year strategic and financial sustainability plan (Achieved)**

4th Quarter Progress

This benchmark has been accomplished during Quarters 2 and 3.

Year 3 Progress

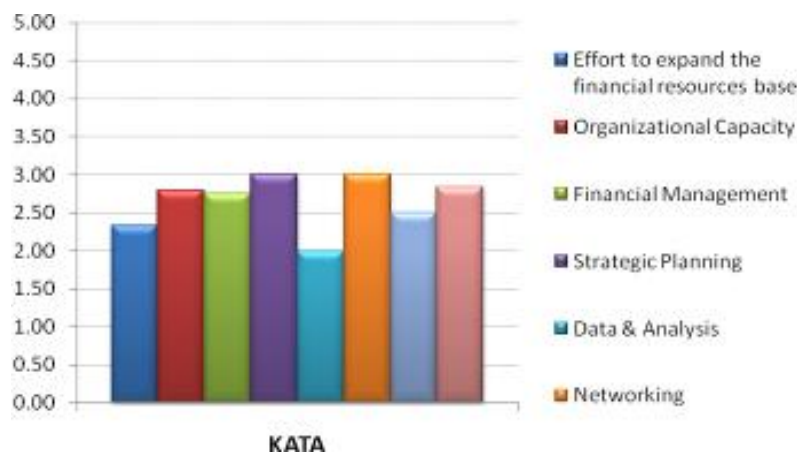
KPEP assistance led to both associations developing draft three-year strategic plans. Unlike KOTAS, KATA went on to successfully adapt its draft plan and create an annual work plan, with KPEP supporting three outlined activities. The activities include the tourism job fair, familiarization Trip with Polish tour operators and the development of the association's promotional materials.

- **Integrate Kosovo Alternative Tourism Association (KATA) into the ADI survey and compare its level of effectiveness. (Achieved)**

4th Quarter Progress

KPEP integrated KATA in its Association Development Index, allowing the project to assess and quantify the newly established association's progress going forward. As with any start-up, KATA struggles in many areas. Lack of funding and diversification has stymied KATA's development. Consequently, KATA management has lobbied, raised funds and organized various fair trades to promote tourism, itself and network with potential new members and partners.

The chart below illustrates KATA's status from the eight elements perspective. In the BSS section, KATA is compared with 13 other associations.



ADI Graph – KATA progress across eight elements

Year 3 Progress

KPEP integrated the Kosovo Alternative Tourism Association into its Association Development Index.

Objective 4: Improve workforce skills in tourism - WfD (New)

Strategy

No amount of strategic focus, FDI or exposure to international tourism trends can make a difference without altering the mindset of the human resource involved in the industry. To this end, KPEP will develop a specific strategy to support other initiatives in this sector for the Year 3 work plan. It is anticipated that this, in conjunction with the work under objectives 1-3 will catalyze the needed transformation in this sector. The tourism sector requires skilled workers and the strategy will focus on linking the industry with potential new employees. Furthermore, innovative internship programs will be created to foster increased interest in this sector by young people.

Benchmarks

- At least 10 interns placed in the tourism sector. (Dropped)

KPEP dropped this benchmark after the respective sector association, KOTAS, proved unwilling to introduce and manage the activity among its members.

- **At least 30 new full-time job placements created via job fairs in this sector. (Achieved)**

4th Quarter Progress

This benchmark was accomplished in Quarters 2 and 3.

Year 3 Progress

This year's tourism job fair resulted from KPEP's identification of a lack of recruitment capacity within Kosovo's tourism companies. The project identified that many hotels, restaurants and other tourism enterprises have job openings yet share difficulties in identifying qualified staff. KATA confirmed this with research that showed 40 companies sought to hire new graduates to fill 190 jobs. Thus KATA, with KPEP support, has undertaken a number of promotional initiatives, using advertising, social networks and media channels, to better link job seekers with potential employers. The fair attracted 23 companies and 188 job seekers, with 31 (16%) placed in full-time jobs.

Recycling

Sector Strategy

During the course of Year 3, the sector will continue to be supported by a sector lead allocating less than full-time attention but will engage with a more focused approach, with the intention of increasing commercial collection centers, especially for plastics at the municipal level. Such engagements will likely involve developing cost share opportunities, especially with regard to standardizing the materials collected and, in doing so, will make these more acceptable in the market. Local short-term assignments will be utilized to provide specific support where necessary.

Objective 1: Increase the number of municipalities that have commercial recycling capacities (New)

Objective Strategy

KPEP will continue to seek opportunities to engage in the recycling sector, which will bring short-term results in terms of generating additional jobs for low-income families as well as generating increased opportunities for trade. Such opportunities will focus on the plastic and waste paper sectors, increasing opportunities for the organized collection and processing of waste. Work initiated late in the Year 2 work plan signaled an opportunity particularly in plastic collection.

Benchmarks

- **At least two municipality-based new collection points are established. (Achieved)**

4th Quarter Progress

Activity completed in Quarter 1.

Year 3 Progress

Grenteh, a large recycling company headquartered in Macedonia, established four new municipality-based plastic collection points. KPEP contributed on a cost-share basis to Grenteh's purchase of baling presses for both the newly established and three other collection points, in order to provide sustainable commercial incentives for collection.

KPEP's grant support led to the following successful outcomes:

- 97 informal collectors became self-employed, generating enough income to support their families.
- The seven collection points gathered 466 tons of recyclable plastics, or 52 tons per month on average, an increase of 394%. This led Grenteh to generate more than 120,000 Euros in sales, an increase of 80%.



New baling presses being delivered to collection points in Vushtri, Ferizaj/Urosevac and Lipjan.

- **At least one paper recycling or processing facility reduces dependence on imported raw materials. (Achieved)**

4th Quarter Progress

KPEP completed this activity in Quarter 2. The project continued to support the company in identifying new opportunities for business growth. The company participated in the Kosovo-Izmir Business and Investment Forum in Izmir, Turkey, organized by KPEP, given its interest in finding investors in upgrading its technology and increasing its production capacity. The company plans to follow up with three established contacts it made in Izmir.

Year 3 Progress

KPEP supported the AG Company in training 12 new hires to operate machinery used to create quality tissue products, increasing its competitive edge. The company spent 120,000 Euros of its own capital on the machinery, which enables it to use domestically sourced rather imported raw materials. Over a four-month period, the company collected 85 tons of raw processed recycled paper and used it in making tissue products, substituting in the process 22,000 Euros of imported materials..



The processing technology used by the paper recycling company AG Group.

Component 2: Business Support Services (BSS)

	SAF Budget Estimate	International STTA	Local STTA
Total planned	\$22,000	22 days	25 days
Committed this quarter	\$0	0 days	0 days
Total committed to date	\$10,000	22 days	25 days

Strategy

KPEP's business support services (BSS) strategy is to strengthen the capacity of local business service providers and associations. In addition, KPEP advises associations on how to implement best practices and become financially sustainable. This is a challenging area of work because of the market distortion brought about by donor saturation in Kosovo. Donors are vying to support a limited number of beneficiaries. Associations are prime candidates for financial support, and have received generous contributions. A large share of local consulting firms' revenue comes from donor projects. As a result, there is not as much of an incentive as one would expect on the part of our target firms and associations to learn and change.

From the very beginning, KPEP decided to pair international and local consultants with the objective of transferring knowledge and ensuring sustainability of training programs. We have done this consistently wherever possible, including furniture design, investment research, businesswomen training, customer relationship management, Internet exchange point, and combating illegal logging. KPEP has received enthusiastic feedback from local consultants on this approach and will continue this practice going forward.

KPEP BSS is supporting this strategy with a number of initiatives. The project has made available a consultant to work with major associations on how to improve organizational structures, and become more appealing to members through improved and more diversified service offerings. This fall, the project will assist the Association of Microfinance Institutions of Kosovo to develop a strategic plan specifically for this purpose. The project is also planning to provide targeted assistance to a number of agricultural associations this year. KPEP has assisted associations in participating in local, regional and international trade shows. BSS

developed a trade show participation manual, which participants receive prior to each trade show event.

KPEP has made available several training courses through associations, and will continue to do so, encouraging the associations to charge fees for these services.

The project is now also planning to evaluate the establishment of a consultants' association, together with the European implementer TAM BAS. The existence of such an association is the prerequisite for the certification of consultants by the International Council of Management Consulting Institutes.

Finally, based on the analysis and recommendations included in the recently completed Agricultural Strategy (AgStrat) and detailed recommendations on the new business model for farmers associations, KPEP BSS will begin working with three to five agri-product associations on a pilot basis to expand and improve the range of services they can provide to members.

Business Support Services

Objective 1: Enhance the internal organizational capacity of associations

Benchmarks

Develop a roadmap strategy for Tier 1 Associations and umbrella associations. (Partially achieved)

4th Quarter Progress

As a result of KPEP's cooperative approach, its Advocacy Strategy Roadmap Training remained on standby for a long time, pending further coordination and agreement between projects. Despite the continuous effort by KPEP to discuss, arrange and coordinate this activity with other donors (especially the UK's Department For International Development (DFID)), no progress has been made due to their constant postponement of coordination efforts. KPEP will continue

with the Advocacy Strategy Roadmap Training during Year 4, with or without the cooperation of other donors.

Year 3 Progress

In cooperation with BEE, KPEP has decided to put this activity on hold, given a similar initiative undertaken by BEEP, DFID and EU SME to coordinate the entire future support to be provided to business associations. Additional information may be found in the BEE section of this report.

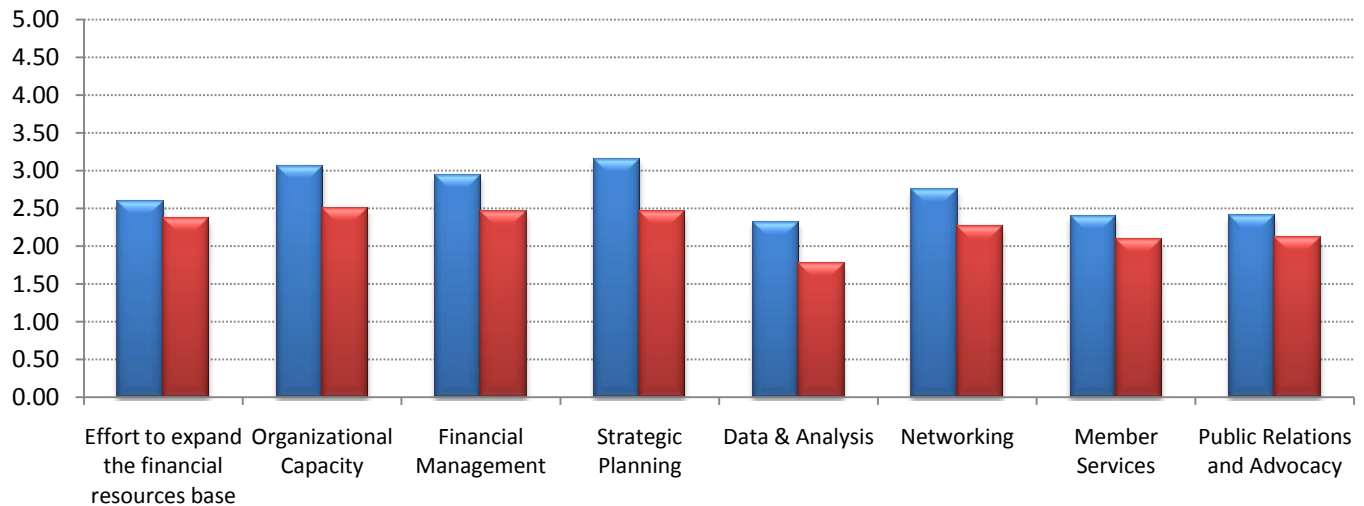
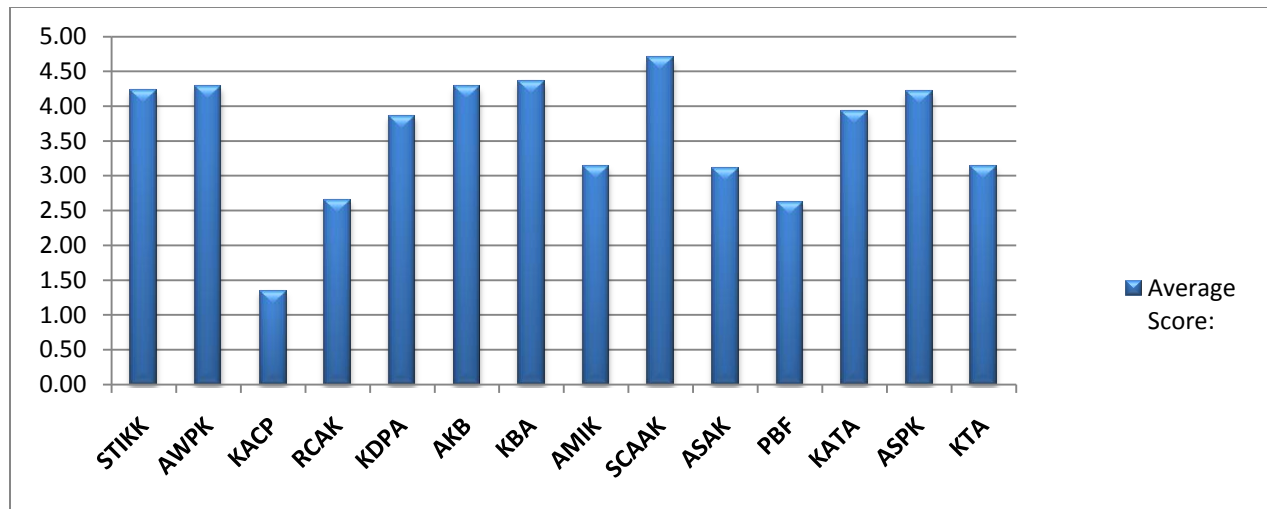
Increase of the index rate as projected on the ADI Table. (Achieved)

4th Quarter Progress

KPEP completed the ADI report and found that the average 2011 score of the general functionality of associations increased to 2.00, an increase of 6.15% over 2009's reported score of 1.88. The index rate score reflects eight functional elements mentioned in the report. There was improvement in all areas of functionality with the largest gain seen in Strategic Planning and Organizational Capacities. Improvement was weakest in Efforts to Expand the Financial Resources Base and Public Relations and Advocacy.

Year 3 Progress

KPEP has contacted and visited 15 of the associations that had been assessed and included in previous ADI reports. Researching the full list of 16 associations listed in the two previous assessments, KPEP discovered that a few have since gone defunct, while four new associations were created over the course of 2011. The Alliance of Kosovo Agribusiness (AKA); the Kosovo Poultry and Feed Millers (SHPUK); the Kosovo Tourism Association (KOTAS); and the Metal Processing Association (MPA) are among those that are no longer active. Meanwhile, newly created associations include the Kosovo Textile Association (KTA); Kosovo Alternative Tourism Association (KATA); the Association of Planners of Kosova (ASPK); and the National Private Forest Owner Association of Kosovo (NPFOAK). These groups joined this year's ADI assessment.



The above graph illustrates the differences in functionality between 2011 and 2009

ADI 2011 – ADI 2009

Provide technical assistance to establish a Management Consultants Association to meet the following benchmarks. (Partially Achieved)

- Developing products and services for members
- Raising revenue from products and services
- Communicating effectively with members
- Engaging in public relations and advocacy activities

4th Quarter Progress

During this quarter, KPEP with TAM-BAS sent a group of consultants to Skopje, Macedonia to meet with the Management Consultants Association of Macedonia to aid in establishing a new NGO, the Kosovo Institute of Management Consultants. The group reviewed its options: whether to form an independent organization or come to form an integral part of the Kosovo Management Consultant Association. They also analyzed the requirements for applying for provisional membership in the International Council of Management Consulting Institutes (ICMCI).

Year 3 Progress

The BAS program, in cooperation with KPEP, provided sustained support this year to the Management Consultant Association by providing assistance in the identified areas required to fulfill ICMCI requirements. Recent changes at the Management Consultants Association have led KPEP to postpone completion of this activity to Year 4.

Component 3: Business Enabling Environment (BEE)

	SAF Budget Estimate	International STTA	Local STTA
Total planned	\$0	0 days	0 days
Committed this quarter	N/A	N/A	N/A
Total committed to date	N/A	N/A	N/A

Strategy

KPEP Business Enabling Environment (BEE) will continue to employ two strategies in support of KPEP's objectives for growth. The first is a continued effort to target high-impact areas of general business-enabling environment relevance. This includes areas that generally affect many or all of KPEP's sectors but that are not especially dependent upon emergent issues. These types of interventions can, therefore, be more easily planned ahead. But since many of these issues are more substantial than KPEP's resources allow, focus on these will be highly selective.

The second strategy focuses on the specific demands of KPEP sectors. These interventions will target specific issues emerging from ongoing transactions where targeted BEE support may be able to remove constraints to doing business in the short to medium term. Issues such as imposition of non-tariff barriers in contravention with CEFTA can be directly addressed through BEE support. In this way, BEE provides significant real time interventions in support of sector specific needs. BEE activity is therefore mostly reflected in sector activities. All resource allocation is presented within sector budgets.

Business Enabling Environment

Objective 1: Monitor BEE and Kosovo Legislative Strategy for relevant issues. Engage and intervene where appropriate.

Strategy

The BEE component will continue to monitor the legislative calendar for specific opportunities to support legislative development where these interventions are appropriate to support KPEP sector activities.

Benchmarks

- **At least one new legislative intervention in support of KPEP sectors investigated. (Achieved)**

4th Quarter Progress

The Kosovo Business Enabling Environment Program (KBEEP) created a new version of the Law on Construction. This third draft includes elements from previous drafts created by KPEP and the Ministry of Environment and Spatial Planning (MESP). KBEEP's version of the law contains only administrative provisions regarding construction. It foresees all technical provisions being included in the Building Code. Generally, KPEP agrees with KBEEP's separating out technical and administrative provisions. On other provisions, KPEP offered comments and suggestions to USAID for further action.

Year 3 Progress

KPEP completed the Draft Law on Construction in Quarter 1 of Year 3, meeting USAID's requirements. However, due to further elaborations of the draft law, KPEP continued to monitor and assist in its development.

Additional Achievements

Trade Facilitation

- **Establishment of a close cooperation with KBEEP**

A number of Kosovo products face challenges in exporting to CEFTA countries. Most issues are specific to the revaluation of prices, the rejection of phytosanitary certificates and VAT. KPEP BEE drafted a memorandum to Kosovo's Ministry of Economy and Finance (MEF), Kosovo Customs, USAID, and the Kosovo Chamber of Commerce. MEF informed the project of the Prime Minister of Albania's receipt of the memorandum.

Since KBEEP works specifically on business legislation issues, KPEP joined forces with project representatives to address KPEP client concerns on this matter. As a result, KPEP drafted a series of documents as part of an *administrative appeal* on the revaluation of prices; KPEP will submit this appeal to Albanian institutions. KPEP and KBEEP organized a meeting with a potato importer from Albania who faced a revaluation problem. KPEP presented him with a draft appeal and advised him on additional submission and processing steps required for Albanian institutions. For further information, please see the Agriculture section of this report.

KPEP's hands-on field experience and a large pool of clients and contacts has proven to be valuable to KBEEP's clients, particularly with respect to BIO licensing and certification and HACCP standards. KPEP BEE established a close cooperation between specific KPEP sectors and KBEEP in this regard. As a result of this established cooperation, KPEP NWFP is working very closely with KBEEP on the BIO licensing and certification of honey produced in the Peje/Pec region.

KPEP also collaborated with KBEEP on grant applications. KPEP often receives applications from clients whose activities are better suited for KBEEP's program. As a result, KPEP has agreed to serve as an information repository for both KPEP and KBEEP clients, encouraging the development of Kosovo's private sector economy. So far, however, there have been no successful grant applications, due to differences in each project's grants procedures.

KPEP BEE initiated a meeting with the KPEP tourism specialist and KBEEP regarding a tourism sector study. KPEP agreed that such a study would be mutually beneficial, since it would cover both qualitative and quantitative data on the actual situation of the tourism sector. The goal of this study was to create a comprehensive repository of information, which would serve as the basis for recommendations to the Government of Kosovo (GoK) on the legislative, regulatory and organizational measures that must be taken in order to improve tourism in Kosovo. KBEEP would finance the study. KPEP would provide the expertise, experience and tourism industry contacts. This activity eventually was dropped. For further information, please review the Tourism section of this report.

In conversations with various contacts, KPEP discovered Kosovo had no comprehensive step-by-step guidelines for opening and registering a business. Since KBEEP has proposed to GoK a change in legislation for various registrations, KPEP BEE and KBEEP will work together to develop these guidelines, as soon as KBEEP's proposed changes to the GoK come into effect. So far, no progress has been made on this issue, due to pending approval of the regulatory changes proposed by KBEEP.

Another aspect of our cooperation with KBEEP remains KPEP BEE's active participation in the regional focus groups KBEEP organized in order to better understand current legislative issues and challenges that businesses face in their day-to-day operations. KPEP BEE actively participated in these focus groups and informed KPEP clients how to express their concerns within these focus groups. Following the completion of the groups, KBEEP, in cooperation with AmCham, began organizing roundtable discussions on the issues identified during the focus groups. KPEP BEE and KPEP sector specialists were invited to participate in these discussions. KPEP BEE presented a number of suggestions and comments relevant to KPEP's clients. KPEP BEE continued to participate in the roundtable discussions, which concluded in Quarter 3. Based on the feedback that AmCham and KBEEP received from businesses during the roundtable discussions, AmCham drafted a Kosovo Business Agenda 2011. This document will be presented and made public in the beginning of Year 4.

- **Export of Raw Milk to Albania**

The Kosovo market has long been unable to absorb seasonal excesses in milk production each summer. As a result, KPEP established a trade relationship between Albanian dairies, which

require raw milk imports to meet strong summer tourist demand, and Kosovo's Bylmeti Dairy, which has an excess supply of milk each summer it could export. After the first shipment of milk faced an excessive revaluation process by Albanian customs officials, KPEP BEE and the dairy sector organized a meeting with the Ministry of Trade and Industry (MTI). After extensive discussions and brainstorming, MTI officials worked with their Albanian counterparts to abolish the practice of price revaluations for products originating from Kosovo. Since this successful intervention by KPEP and MTI, exporters have not experienced any issues with respect to the revaluation of prices. For further information, please refer to the Agriculture: Dairy section of this report.

Foreign Direct Investment - FDI

- **Economic Diplomacy Task Force - Establishment of a close cooperation with USAID Kosovo Ministry of Foreign Affairs Support Project (KMFASP), implemented by DAI**

Given the enormous need to attract foreign investment to Kosovo, KPEP BEE partnered with other donor projects to form an Economic Diplomacy Task Force (EDTF). KPEP asked USAID projects related to FDI, along with various European Commission projects, GoK ministries and IPAK, to join the group and together promote Kosovo's potential as an investment destination.

As a result of this cooperation, DAI organized Economic Diplomacy Training for Kosovo diplomats working in Kosovo's embassies around the world. The aim of the training was to arm Kosovo diplomats with needed skills in promoting Kosovo as an FDI destination and promoting Kosovo products in the countries where they work. KPEP supported this effort by offering two presentations during the training: 1) a session on International Commercial Terms (Incoterms) and Letters of Credit, organized by KPEP BEE; and 2) a session on Kosovo as a tourism destination, presented by KPEP's tourism specialist. KPEP also provided information on 1) certified products from Kosovo that meet international standards and are suitable for export; and 2) Greenfield Investment Briefers developed by KPEP BEE in Year 2. KPEP materials were included in the study packet for the training.

During Quarter 2, KPEP hosted a follow-on EDTF meeting. All participating projects had the opportunity to discuss achievements, obstacles and suggestions for FDI and exports. The

issues discussed included incentives for the World Bank Doing Business Report, the possibility of creating a more effective Trade Representation Office, and a request made by the prime minister's office that regulatory proposals made by donors should be extended to local counterparts (different ministries and offices) as well as the PM's own office. KMFASP reported that the diplomat training was a success. Kosovo diplomats are now very active in 1) presenting Kosovo products at international trade shows; and 2) promoting Kosovo as a destination for potential investment. These efforts have resulted in the export of two shipments, totaling 80,000 liters, of Stonecastle wine from Kosovo's Rahovec/Orahovac region to the U.S. market. Another two shipments are under contract. The Embassy of Kosovo in Washington, D.C. played an active role in facilitating this transaction. Because the KMFASP project has come to an end, no EDTF meeting took place this quarter. Nevertheless, KPEP discussed an array of issues regarding FDI in meetings with other donor projects.

Cross sector assistance

- **Advocacy Strategy – Assisting KPEP Business Support Services (BSS)**

The Advocacy Strategy developed by KPEP BEE in Year 2 summarizes the concrete steps and procedures that a draft law must pass before it becomes effective and applicable. KPEP BEE worked with KPEP BSS to prepare training materials based on the prior Advocacy Strategy for various associations in Kosovo. The training aims to increase lobbying capacities within associations. KPEP developed a position paper sample and a survey aimed at identifying the key legislative issues that KPEP clients face.

As a result of the different donor projects working to develop the capacities of business associations, KPEP, KBEEP, EU SME and DFID met to coordinate their efforts with respect to overall assistance. This coordination should allow associations to perform different tasks. Because donor projects work and assist associations in different ways, cooperation will be a key to offering comprehensive assistance to associations. Donors will have defined roles for how they assist associations, and this assistance will be commensurate with their fields of specialization. As this cooperative effort progressed, KPEP's Advocacy Strategy Roadmap Training remained on standby, pending further coordination and agreement between projects. Despite the continuous effort by KPEP to discuss, arrange and coordinate this activity with other donors (especially with DFID), no progress has been made due to a constant postponement of coordination by the involved projects. KPEP will continue with the Advocacy Strategy Roadmap Training during the Year 4, with or without the cooperation of other donors.

BEE and BSS also worked together on the Business Models for Association. In order for farmers' associations to provide better services to their members, as well as generate income, they must become cooperatives. KPEP reviewed and updated documents developed by international and local STTAs regarding Business Models for Associations. KPEP also analyzed legislative pieces and compiled a complete package of information KPEP plans to present to Kosovo's farmers' associations.

During Year 3, KPEP visited the Perdrini farmers' association in Krusha e Madhe, as well as four other associations, and discussed with them the process of transition toward a farmers' cooperative. Perdrini was the first to welcome the KPEP initiative and expressed a willingness

to reorganize. KPEP translated the draft statute for a cooperative, which a group of local and international STTAs had developed. The draft statute was delivered and discussed with Perdrini. They held a founding assembly that adopted the statute, and later registered Perdrini as a cooperative. Out of five farmers' associations that were presented with the model for cooperatives, two of them have successfully registered - Perdrini in Krusha e Madhe and Gjakova 1 in Gjakova. They are now fully operational cooperatives, conducting their everyday business and generating income. KPEP will continue with this activity in Year 4, depending on the interest expressed by other farmers' associations.

- **Cooperation with the KPEP Construction Sector – MOU for Heavy Equipment Operators Training**

As a result of a high demand for qualified operators, during Year 3 the KPEP Construction Sector established a Heavy Equipment Operators Training Center (HEOTC) in partnership with the Kosovo Energy Corporation (KEK). HeviCert, an international consulting company that provides expertise, personnel, curriculum, training materials and certification for heavy equipment operators, implemented the training. The construction specialist requested KPEP BEE assistance to draft an MOU, which was signed by KPEP and KEK for the establishment of the center.

KPEP BEE assisted the Construction Sector in drafting an additional MOU in order to establish cooperation and involvement with the Ministry of Infrastructure (MI) and the Ministry of Education, Science and Technology (MEST) and HEOTC. The criteria for this assistance stipulated that businesses that apply for MI construction projects should use certified heavy equipment operators. KPEP BEE also assisted the Construction Specialist and construction client with legal advice on the procedures for establishing an association.

MEST support will consist of assistance with HEOTC accreditation.

Additionally, KPEP BEE assisted the Construction Specialist in drafting and revising the Letter of Agreement (LOE), which was successfully signed between KPEP and IPAK. The LOE was prepared before sending a group of construction company representatives to Milano Architettura Design Edilizia, the Milan-based architecture and building trade show, in October. For further developments on this activity see the Construction section in this report.

- **Cooperation with KPEP ICT Sector – Advocacy**

During Year 3, KPEP BEE in cooperation with KPEP ICT reviewed the position paper and Kosovo ICT Market Report developed by the Kosovo Association of Information and Communication Technology (STIKK). Both KPEP sectors assisted STIKK in its efforts to advocate for an improved regulatory position for the sector. For further information, please see the ICT section of this report.

Cooperation with other donor projects and institutions

- **European Union Small and Medium Enterprise (EU SME)**

During Year 3, KPEP BEE established a close cooperation EU SME—SME Support through the Ministry of Trade and Industry (an EU-funded project managed by the European Commission Liaison Office to Kosovo). The two projects met regularly to discuss various possibilities for cooperation. KPEP actively participated in the development of the SME Strategy for Kosovo and attended meetings and discussions on a strategy for topics related to KPEP's work.

The EU SME project organized an SME Strategy Development Conference. The aim of this conference was to further expand the network of professionals who can contribute to strengthening the strategy. The strategy remains a crucial document for the future development of Kosovo's SME Sector as a main generator of jobs. KPEP actively participated in the conference, delivering recommendations and sharing ideas.

EU SME initiated a regular series of donor coordination meetings. The goal of these gatherings is improved coordination and cooperation among donor projects working on similar issues and how to more effectively use their resources to achieve mutual goals. During Year 3, four meetings were held. The next meeting will take place during Quarter 1 of Year 4.

- **Cooperation with USAID Systems for Enforcing Agreements and Decisions (SEAD)**

SEAD is creating standard form contracts for various Kosovo business sectors in order to provide Kosovo businesses and citizens with a tool that guarantees quality, performance and an easier dispute-resolution mechanism. This forms part of an effort to standardize, facilitate conclusion and enforce all contracts. In April, SEAD held a roundtable discussion on the Release of Standard Form Contracts. Since KPEP is involved in the construction sector, KPEP was invited to 1) share its knowledge and contacts with different sectors; and to 2) participate in a panel on relevant standard form contracts.

KPEP BEE and SEAD will work on drafting three standard form contracts for agriculture: sales, brokerage and transportation/carriage contracts. This activity will continue in Year 4.

- **Cooperation with the American Chamber of Commerce in Kosovo (AmCham)**

KPEP cooperation with AmCham, which began with the start of KPEP, has continued successfully. KPEP has actively participated in a variety of activities, as described below, but more importantly, KPEP is part of the leadership of Am Cham, shaping its strategic direction. The Deputy Chief of Party joined the Am Cham board in Quarter 2 and continues to play an active role. KPEP is the largest and most effective donor project working directly with businesses, and KPEP's voice within Am Cham allows us to surface issues to a high level. Am Cham meets regularly with Embassy and Government of Kosovo Ministers, providing exposure for businesses and raising awareness about important strategic issues such as improving the environment for Business Process Outsourcing (as detailed in the Investment Promotion Agency of Kosovo's strategic focus). The network of the Am Cham board and its members also allows KPEP to shortcut time consuming processes. For example, when Bechtel operational staff were not responsive to KPEP inquiries related to the Heavy Equipment Operators Training Center, KPEP was able to quickly secure a meeting with the Prime Contracts Manager for Bechtel Enka's Motorway Project. The Deputy Chief of Party's role as Chair for the Competitiveness Committee, and the hosting of those meetings at KPEP offices, additionally raises awareness of KPEP as a driving force in private sector development in Kosovo.

KPEP is also a member of a Task Force on Public Procurement Law established by AmCham. During the meeting, participants chose a chairperson who will be in charge of gathering all

member concerns specific to issues arising from the law. A range of issues raised during the meeting will be compiled into a single comprehensive document and will be discussed during the next meeting. The goal of this task force is to identify key issues with the Public Procurement and offer a unanimous approach in addressing these issues to relevant institutions. The Task Force on Public Procurement Law has not been active this quarter.

AmCham asked its members to provide comments on and suggestions for the Draft Law on Donations and Sponsorships, which the GoK is currently developing. AmCham was grateful for BEE's recommendations, which will be presented to the GoK Working Group on the Draft Law for Donations and Sponsorships.

In support to AmCham, KPEP also provided comments on and suggestions for the Draft Law on External Trade. AmCham is working together with the Ministry of Trade and Industry (MTI) on this draft law. The comments that KPEP provided will be presented to the Parliamentary Committee on Economic Development, Infrastructure, Trade and Industry.

KPEP BEE also attended an AmCham-organized meeting with the International Monetary Fund (IMF) on Kosovo's economic development. KPEP BEE discussed challenges currently facing KPEP clients.

During Year 3, KPEP attended another meeting with IMF and AmCham. The meeting was regarding Kosovo tax policies. An IMF Fiscal Affairs Department mission on tax policy visited Kosovo during September and October, and worked with the GoK on evaluating its current tax policies. AmCham organized a meeting of the IMF mission with businesses and programs that work in business development. KPEP attended the meeting and expressed those concerns that its clients face as regards tax policies and administration.

Component 4: Workforce Development (WFD)

	SAF Budget Estimate	International STTA	Local STTA
Total planned	\$551,600	25 days	45 days
Committed this quarter	\$0	0 days	0 days
Total committed to date	\$481,775	0 days	45 days

Strategy

Building on its experience in Years 1 and 2 of the project, KPEP plans to pursue the same basic strategy in workforce development. Programs will focus on: *sector-focused training*, often very concrete, demand-driven skills development with firms or associations in individual KPEP sectors, and *cross-cutting initiatives*, which may involve several sectors, and may take a broader, system-building approach to workforce development.

The key objective of this component is sector-focused. The project will support priority sectors in their competitiveness goals through designing and delivering effective training to firms and associations. KPEP is planning programs for both *future workers* and *current employees* in Year 3. *Future worker* programs will continue with internships and job fairs and *current (incumbent) employees* will also include skills upgrading for the transactional sectors of KPEP. Expanded sector specific and crosscutting internships and sector-specific job fairs are a core KPEP strategy, and will continue in Year 3. KPEP will also take steps toward institutionalizing the internship program.

Moreover, KPEP will seek to build institutional capacity of workforce development organizations by introducing demand-driven curricula, training, and practical skill-building programs. The ultimate goal is to make certain training is available at scale through institutional adoption, and to contribute to the growth and improvement of local institutions. In Year 3, KPEP will shift strategically toward a capacity-building activity, away from direct service delivery.

Finally, KPEP will support job creation by increasing the entrepreneurial skills of young adults. In an economy with many more new entrants each year than jobs available in the formal sector,

concrete job creation approaches are required. One approach is to support individuals to learn how to plan and develop their own enterprises. The Pilot Entrepreneurship/Micro-Enterprise Training Program in Year 2 was KPEP's first substantial effort in this field. Building on a successful pilot, we will expand, refine, and continue this activity in Year 3 in new municipalities and additional sectors.

Workforce Development

Objective 1: Institutionalize training programs within local workforce development organizations to ensure sustainability

Strategy

KPEP's strategy is to develop and pilot programs, demonstrate their viability, then to offer best practices, materials and, where appropriate, instructor or teacher training to local Kosovo institutions that choose to adopt them.

Benchmarks

- **One curriculum proposal prepared and offered to MEST National Council for Curriculum Development. (Achieved)**
- **Offer coaching and technical assistance to teachers who will implement the new curriculum at the VTCs and/or VET. (Achieved)**

4th Quarter Progress

The Welders Training program was completed this quarter with the training of seven professionals, who should be examined and certified in coming weeks. Moreover, the curricula used for the training have received local accreditation, while the training center should be established in Year 4. In addition, the curriculum on HACCP has been integrated within the Food and Safety Standards and has been approved by MEST at the National Council for Curriculum Development. It is expected to begin implementing this curriculum in the next school year.

Year 3 Progress

The HACCP curriculum was integrated within the Food and Safety Standards and gained MEST approval at the National Council for Curriculum Development.

Earlier this year, KPEP signed an MOU with Swiss Contact to implement the HACCP food standards teacher-training program. As a result, while working in close collaboration, KPEP offered coaching to 11 secondary school teachers who teach food-oriented subjects at five Kosovo Agriculture Secondary Schools, located in Pristina, Gjilan/Gnjilane, Ferizaj/Urosevac and Peje/Pec. The introduction of the HACCP practical training module for teachers focused on theoretical and practical learning, giving teachers the necessary skills to offer the course in their respective schools, thus increasing the employment potential of their agriculture students. In addition, a local expert on HACCP standards produced a mini booklet with basic information on food standards to be used as a first step in introducing important food standards to agriculture school students.

The Banking and Finance training program will be accredited by the EBTN/EFCB and by University of Pristina/ Faculty of Economy. (Achieved)

4th Quarter Progress

This activity will occur in the beginning of Year 4, with the final accreditation ceremony slated to be held October 26, 2011. This remains the most crucial pending decision to be confirmed by European Bank Training Network. KPEP faces challenges in institutionalizing the same program at the university level. This is largely due to the state university system's lack of cooperation.



Year 3 Progress

KPEP implemented the activities with 40% fewer funds than allocated. Due to the wide availability of local expertise, KPEP relied less on international expertise than planned initially.

At least 100 students will be certified with internationally recognized certificates out of

which at least 80 successfully hired within banking/microfinance institutions. (Not Achieved)

4th Quarter Progress

No progress has been during this quarter.

Year 3 Progress

Due to the prolonged accreditation process of EFCB by the evaluation body, KPEP postponed this benchmark for completion during Year 4.

Work Force Development

Objective 2: Assist selected workforce development institutions to better meet the needs of industry; ensure that training is more practical and experiential (Ongoing)

Strategy

There are institutions responsible for general work force development and WFD will continue to engage with these as appropriate if it is apparent that, in the short to medium term, such support will contribute to the work force development environment and therefore support the sectors within which the project is primarily engaged.

Benchmarks

Internships with public institutions are replicated and expanded in at least one other ministry and with municipalities. (Partially achieved)

4th Quarter Progress

During the implementation of the crosscutting internship program, KPEP cooperated in placing interns in public intuitions as well. Consequently, KPEP counted at least eight interns placed in public institutions, such as the Kosovo Privatization Agency.

Year 3 Progress

Please see the Quarter 4 progress.

**Industry registers at least 300 interns who are successfully recruited and placed.
(Achieved)**

4th Quarter Progress

The completion of the crosscutting internship program drew to a successful close on September 17, 2011, resulting in 165 people gaining full-time employment.

Year 3 Progress

The 300 interns have already started the program in institutions identified by the Association of Finance and Accounting Services, including various commercial banks, publicly owned enterprises, telecommunication companies and several governmental agencies.

At least 40% of interns are hired full-time following graduation. (Achieved)

4th Quarter Progress

AFAS confirmed more than 60% of the placed interns will remain on as full-time employees in the institutions that initially provided them with internships.

Year 3 Progress

The crosscutting internship program implemented by AFAS resulted in surpassing the benchmark, with more than 60% of interns gaining full-time work.

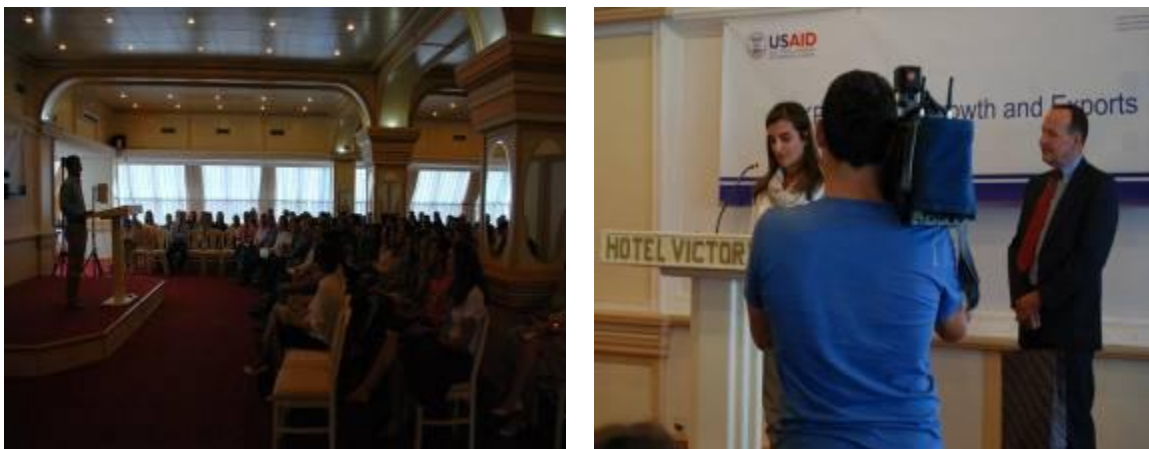


Fig 1: Internship Certification Ceremony

Quote from Intern – Yllka Kadrijaj

“The internship was an experience itself, at least as an intern in Raiffeisen Bank I was treated as a new colleague, free to show my skills, interests and to ask about all the things I needed to understand better. I knew that the knowledge I had gained, would serve me in the near future. So, by this short speech I want to encourage all the youth of Kosovo, to believe in their selves, to believe in the importance of the project and in the transparency of the employment procedures.”

**At least five bi-monthly meeting held with donors on the specific areas of WFD.
(Achieved)**

4th Quarter Progress

This benchmark was met during Quarters 2 and 3.

Year 3 Progress

KPEP met this benchmark during the prior quarter. However, as part of its ongoing cooperation with other stakeholders in Kosovo, the project is continuing regular and ad-hoc meetings in relation to WFD.

Since KPEP was previously identified as a leader in internship program implementation, other stakeholders appointed the project to lead the Skilled Internship Program.

Work Force Development

Objective 3: Create economic opportunities by increasing the entrepreneurial skills of young adults (Ongoing)

Strategy

The economic environment in Kosovo has in the past led to a poor understanding of entrepreneurship—what it means and how to go about mastering the requisite skills. In order to ensure the future of economic growth, developing these skills is essential. KPEP will continue to develop approaches that stimulate an entrepreneurial mind set in graduates and younger children.

Benchmarks

- **Entrepreneurship training provided in at least 10 new target municipalities. (Achieved)**
- **At least 300 trainees receive tested entrepreneurship training. (Achieved)**
- **At least 125 trainees are recruited to participate in advanced entrepreneurship training. (Achieved)**
- **At least 100 youth complete the advanced training program and complete business plans. (Achieved)**
- **At least 40% of business plans are successfully matched with micro-finance resources. (Achieved)**
- **At least 50 new jobs are created. (Partially Achieved)**
- **At least 20% of successful entrepreneurs receive follow-on support. (Achieved)**
- **Coordination procedures developed with new USAID YEP project. (Not Achieved)**

4th Quarter Progress

In this quarter, 120 entrepreneurship finalists received certificates of completion for the advanced entrepreneurship program, while the 32 who matched best the CDF grant criteria won grants during a certification ceremony organized by the Business Support Center Kosovo. In addition, BSCK has begun giving mentoring support to the 32 CDF grant awardees, as well as to another 18 finalists.

Year 3 Progress

The entrepreneurship training, implemented by Business Support Centre Kosovo, started by identifying the following 10 municipalities where to perform entrepreneurship training:

- Rahovec/Orahovac
- Malishevë/Malisevo
- Suharekë/Suva Reka
- Klinë/Klina
- Gjakovë/Gjakovica
- Dragash/Drigas
- Shtime/Stimle
- Kaçanik/Kacanik
- Istog/Istok
- Deçan/Decane

Promotion of the program netted applications from 899 people, with 300 then selected to continue with the training.

The next phase, advanced entrepreneurship training, which BSCK also implemented, supported 120 finalists. Upon completion, 117 presented business plans to the jury, a process KPEP closely monitored. In addition, and as a result of the MOU between KPEP, BSCK and the Community Development Fund (CDF), 51 candidates were deemed eligible for grants, as based on CDF's criteria. A special CDF-created commission then selected 32 participants to receive financial support of up to 10,000 Euros.

BSCK continues to provide follow-on support to the 32 CDF grant awardees and additional 18 finalists. Due to the overwhelming number of clients, which caused delays in the evaluation process, KPEP has postponed completion of its benchmark regarding the employment of 50 additional people. It will finalize the process by the beginning of 2012.

And lastly, KPEP dropped the benchmark regarding coordination procedures with the YEP project due to the latter's change of strategy, which did not correspond to KPEP objectives.



Certification Ceremony: Mary Hobbs – USAID/Kosovo Economic Growth Office Director, congratulating one of the entrepreneurs



Essential oils produced by a budding entrepreneur enrolled in the program.

- **At least 30 businesswomen trained. (Achieved)**
- **Increase sales by up to 10% over Year 2 for businesswomen. (Partially Achieved)**

4th Quarter Progress

As a result of KPEP cooperation with CDF, the latter implementer selected seven businesswomen as grant awardees, with a corresponding 10% increase in sales expected in the upcoming year. KPEP also produced a promotional video that features “Vjosa Dolcetto,” led by a businesswoman and project client.

Year 3 Progress

KPEP continued its businesswomen training programs. It began by signing a contract with two local KPEP-trained STTAs, who conducted research in three municipalities (Gjakova/Djakovica, Prizren and Gjiilan/Gnjilane) to gauge the interest of businesswomen in participating in similar trainings. Based on strong interest, 40 women business owners from these three municipalities received certification after completing the three-day training, tailored both to their requests and business-development needs. The training consisted of basic techniques on writing project proposals, business negotiations and marketing. Out of the 40 women who participated in the “Business Women Training,” 15 have shown interest in receiving further mentoring provided by two local trainers. They have since successfully used the new skills acquired to draft project proposals and apply for business expansion grants from CDF, with which KPEP has signed a MOU.

Minority/North and other minority populated areas

KPEP has been very successful in instituting the short-term employment program in the four municipalities that constitute North Kosovo. We have completed Phases I and II, while Phase III is ongoing. The program, via two Mitrovica based in North Kosovo, has so far offered gainful employment to 450 previously unemployed people. Phases I and II, and the ongoing Phase III, have generated to date a total of 33,152 workdays of employment. The program has 1) targeted more than 30 specific points on the Ibar River for cleanup; 2) engaged with the population in North Kosovo's four municipalities; and 3) generated a significant amount of interest in work among the population. All employees of the program pay income tax and receive mandatory pension contributions. Moreover, the Woman's Business Association and Mundesia, the NGOs that KPEP contracted to lead the activity, have obtained full tax and business certification in Prishtina/Pristina. This includes fiscal numbers and employer registration. Phase III started on September 20, 2011, with 214 employees, and will last until December 20, 2011.

At the same time, KPEP has established a physical presence in North Mitrovica by opening a small point-of-contact office in Bosniak/Boshnjak Mahala. KPEP recruited two business advisors to staff the office on a full-time basis and to provide a focal point for businesses seeking support, in the form of grants and technical advice. As a result of KPEP's presence, and the project's determined attempts to seek out qualified clients who meet its grant requirements, we have identified 60 businesses from multiple sectors as initial potential candidates for business support grants and technical services. Each of businesses that will be supported will expand their workforce due to additional investment. Four of the identified clients have received or will soon receive grants worth in total \$200,019.64, under the existing KPEP Strategic Activities Fund (SAF). These grants are projected to lead to the generation of an additional 118 full-time jobs, either directly or indirectly, at a per-job cost of \$1,695. That figure is less than 50% of the average job creation cost for KPEP to date.

Businesses have been more than willing to register, in accordance with Kosovo law, in order to qualify for grant support under the KPEP SAF. We anticipate future startup businesses wishing to qualify for KPEP grant support will also undergo this registration process.

During Year 3, KPEP supported specific actions in Northern Kosovo in the four municipalities of Zubin Potok, North Mitrovica, Zveqan/Zvecan and Leposavic/Leposaviq.

Sector	Activity	Progress
Quick employment	Phase 1 of the Ibar River cleanup. Quarter 1	177 workers employed for three months during this phase; 11,682 workdays achieved during Quarter 1.
Quick employment	Phase 2 of the Ibar River cleanup. Quarter 2	202 workers employed for three months during this phase; 73 additional workers began employment in the second month of this phase; 15,926 workdays achieved during Quarter 2.
Quick employment	Phase 2 of the Ibar River cleanup. Quarter 3	275 workers began employment during this phase. Out of a total of 16,000 workdays, 617 were implemented in Quarter 3.
Quick employment	Phase III of Ibar and urban areas cleanup. Quarter 4	214 workers hired during this phase. Out of a total of 17,120 workdays, 1,926 were implemented in Quarter 4.

Grants awarded in North Kosovo in Year 3

Business support

Aves Prom finished construction of a modern broiler farm, with a capacity of 4,300 birds per cycle. It will be inaugurated in Quarter 1 of Year 4.

Eko Centar purchased a grain-cleaning machine, due to be inaugurated in Quarter 1 of Year 4.

Support to business in other minority populated areas

KPEP supported the members of the NVM Strpce farmer's association to plant new varieties of raspberries over four hectares of test plots. As part of the project, KPEP also introduced a new system of irrigation to increase productivity. The new plantations should yield 60 to 80 metric

tons of raspberries in 2010. KPEP believes the positive outcome will move other farmers to adopt these new raspberry varieties, increasing their yields and profits.

KPEP has supported farmers in the ethnic Serb majority municipality of Gračanica with milking equipment in a project that partnered an ethnic Albanian owned dairy processor. KPEP supported 8 farmers with equipment valued at Euro 3,500.

Type of Awards	Sector / Component	Municipality	Awardees	Amount Approved Euro	Amount Approved \$	Short Description of Project
Grant	WFD	Mitrovice	Women Business Association (WBA)	198,300.00	257,398.75	Short-term Employment Generation Activity
Grant	Agriculture	North Mitrovica	AS Promet	20,000.00	26,437.54	Processing of Non Wood Forest Products
Grant	Agriculture	North Mitrovica	Antonije	19,408.00	25,963.88	Installation of Greenhouse Central Heating and Cold Chamber
	Agriculture	Leposavic	Naja	15,000.00	20,545.13	Purchase and Installation of Heating for Greenhouse
Grant	Agriculture	Zvecan	Aves Prom	24,080.00	35,684.65	Setting up Commercial Poultry Farm
Grant	CFW	Mitrovice	Women Business Association (WBA)	253,479.00	343,142.01	Short-term Employment Generation Activity, Phase II
Grant	Agriculture	Lesak	Eko Centar	5,000.00	7,268.50	Purchase of Grain-cleaning Machine
Grant	Wood Products	Zubin Potok	SZTR Markovic	15,000.00	21,805.49	Purchasing of Wood-drying Chamber
Grant	CFW	Mitrovice	Mundesia	314,071.00	452,226.06	Short-term Work, Phase III
Grant		Zvecan	Metal	25,000.00	35,231.12	Purchase of equipment required for a restaurant
Grant	CFW	Leposavic	M&A	92,602.00	130,462.10	Forest maintenance through silviculture treatment of young stands
Grant	Wood Products	Mitrovice	Milic	19,500.00	27,083.33	Buying furniture production equipment
Subcontract	CFW	Pristina	Business Support Center Kosovo (BSCK)	56,920.00	76,639.29	Entrepreneurship Program for North Kosovo
Totall				1,058,360.00	1,459,887.85	

Women

In Year 3, the Kosovo Private Enterprise Program supported women by designing activities that specifically provided them direct support. The project also remained gender sensitive overall in selecting which businesses it would support.

This two-way approach resulted in women taking the lead in vegetable processing in some villages, as well as women businesses managers improving their business practices. The below examples showcase KPEP's approaches in both regards.

This first example highlights the training KPEP provided to a woman entrepreneur and owner of a small but growing business.

Vjosa Gjikołli participated in business training for women organized by KPEP's Work Force Development sector. She had run a home-based bakery business before starting the training. The training motivated Gjikołli to expand and, working under the supervision of a KPEP-sponsored mentor, she went on to open a shop in the center of Pristina, leveraging a 10,000 Euro grant from a World Bank-funded project to do so. Gjikołli now supports her own family, as well as employs two other women.

Gjikołli's story is just one of several that tell of the success women have had in growing their businesses following participation in KPEP-organized trainings. Overall, KPEP, through Work Force Development, has trained 40 women in improving their business practices. Eight of these businesses have gone on to obtain grants from a World Bank project implemented by the Community Development Fund, a local NGO.

KPEP also supported businesses managed and/or owned by women as a matter of course. The program has successfully worked in partnership with six different such NGO's or companies. The best example of this approach is the support KPEP has provided to the Grate Fermere ("*Women Farmers*") vegetable processing plant in Krusha e Madhe, located in the municipality of Rahovec/Orahovac. The microenterprise is currently considered the leading vegetable processors in this predominantly agricultural village. KPEP supported the plant, led by community leader Kimete Hoti, by providing a cooling chamber for vegetables as well as equipment used for vegetable processing. The cooling chamber allows the microenterprise to

store more vegetables, purchase larger quantities at more advantageous prices and weather supply disruptions.

After receiving the grant, Hoti told KPEP, “Before, we had virtually no equipment—just a pot and a mixing spoon turned by hand. We were not taken seriously in the marketplace. We could not purchase large quantities of peppers, as they would spoil. And sometimes we were left without peppers, as frost would destroy the harvest.”

In the Fruit and Vegetables sector, KPEP also supported the women-led farms Vokrri, in Podujevo, and the Widow’s Association of Krusha e Madhe. Additionally, KPEP support given to the Hosa Fresh Company, a vegetable processing plant, secured the employment of 12 women. The company plans further major investments in vegetable processing in the region. Those investments should lead to the company’s employing an additional 70 workers, most of them women.

During Year 3, KPEP’s new engagement in Northern Kosovo involved the project’s working almost exclusively with organizations led by two women, one ethnic Serb and one ethnic Albanian. These two organizations, the Women Business Association and Mundesia, implemented the \$900,000 employment program, which created more than 45,000 workdays spent in clean-up operations.

Additionally, women head two of the associations supported by KPEP: The Association of Wood Processors of Kosovo, which implemented two projects worth more than 100,000 Euros, and STIKK, the association of IT companies of Kosovo, which implemented 42,000 Euros in project funds.

Name of entity	Type	Amount of funds in Euros
Grate Fermere	Business	25,370
Widow’s Association	Cooperative	30,360
Women Business Association	NGO	452,779
Mundesia	NGO	314, 071
STIKK	NGO	42,100
Association of Wood Processors of Kosovo	NGO	112,470

Microenterprises

USAID's economic growth programs in Kosovo target value chain improvements through the greater competitiveness of firms, along with their products and services.

Microenterprises have been an important beneficiary of the USG assistance program. Such efforts can have significant impacts on microenterprises, especially in those sectors where competitiveness also requires product standardization at the producer level, such as the dairy industry. Mission support has focused on assistance to sectors where a significant number of microenterprises participate in the value chain, including organizations in agriculture, tourism, ICT and wood products. The mission also supports microenterprise development in addressing cross-cutting issues in workforce development, business enabling environment, and business support services. Below are some projects supported by KPEP that included a microenterprise component during the quarter:

Project	Sector/Component
Online marketing of the Rahovec/Orahovac region as a wine tourism destination	Tourism
Internship program in wood processing industry	WFD
Integrating Kosovo into Western Balkans Geotourism website	Tourism
Purchase of grain cleaning machine	Agriculture
Purchase of kiln	Wood Products
Forest maintenance through silviculture treatment of young stands	CFW
Buying equipment for production of furniture	Wood Products

Trade Capacity Building and Facilitation

During Year 3, KPEP continued to work on trade capacity building and facilitation.

Working in close cooperation with other donor projects, KPEP focused on enacting legislative reforms and increasing both exports and foreign direct investment. The project analyzed unfair customs practices in the region and addressed these issues in communicating with the GoK. In particular, KPEP, working together with the MTI, resolved the issue of price revaluation with Albania. As a result, Kosovo exported 130,000 liters of raw milk to Albania during the summer excess milk production season. Additionally, KPEP is developing standard form contracts for agriculture that will be an asset in promoting safer and easier trade relations.

Additional trade capacity-building efforts included cross-sector work within KPEP. The project continued to support many Kosovo industries by facilitating exports both to the region and throughout the EU. KPEP also assisted client firms in more actively participating in regional and international trade shows, helping create contacts and linkages.

KPEP continued its assistance in helping firms raise the quality of their products and prepare for export by gaining internationally recognized quality certification, including Hazard Analysis Critical Control Points (HACCP). To date, 17 companies, entities and producers have begun preparing for HACCP certification, while two have extended their organic certification for another year.

Two dairies, Kabi and Rugova, began working toward HACCP certification based on guidance provided by KPEP. KPEP also finalized pre-HACCP layout advice for eight companies: Fitimi, Grate Fermere, Vokri, Rizona, Bashkimi, Liria, Fruti, and Hosa Fresh. During Quarter 4, another KPEP client, "Ask Foods," finalized its HACCP certification process. MD and Sigma, two companies accredited HACCP certification companies, are implementing HACCP certification for five eligible firms: APS, Besiana, Kooperativa Rogova, Scardus and Agro-Peti. KPEP initially assisted each of the firms with a 5,000 Euro grant, with additional funding provided where necessary. Meanwhile, APS and Hit Flores extended their organic certification for another year, allowing them to continue to reach high-value European markets with their products.

Forest certification

During Year 3, KPEP continued to provide close assistance to the forest certification process in order to increase the competitiveness of Kosovo's wood products. KPEP held a workshop to incorporate all received comments from the Forest Stewardship Council's Policy and Standards Unit, and concluded with producing the final version of the FSC Standard for Kosovo (version 3.1). This updated version was approved at the same meeting, and submitted to the FSC for approval. The application for accreditation under the FSC standard for Kosovo remains under active review by the FSC International Centre.

Construction

During Year 3, KPEP continued working on trade capacity building in the construction sector and assisted producers of construction materials in improving product quality and obtaining certifications. The Administrative Instruction for Licensing of Architects and Engineers has been signed by the Minister of Environment and Spatial Planning. Both at the enterprise and the industry level, KPEP intervened by making observation visits and providing consulting advice, as well as by furnishing cost-sharing grants, researching industry trends and familiarizing government institutions with the main problems facing the construction materials industry. Over the course of the year, KPEP supported five clients in participating in the 10th annual Expokos Construction Materials, Energy, Technique and Furniture Fair, held in Pristina. Their participation resulted in new and increased sales in Montenegro, Albania and Macedonia.

ICT

In the ICT sector, KPEP continued to promote the BPO sector as an attractive investment by engaging local and international IT and BPO companies interested in the sector.

KPEP supported STIKK, the Kosovo ICT association, in participating in CeBIT, the high-profile ICT fair held in Hannover, Germany. There, three ICT firms (Rrota, Logistics Plus and PBC) presented their products. STIKK and the Kosovo firms made more than 100 new contacts while at the fair.

As regards FDI, KPEP's Deputy Chief of Party and an international STTA from Silicon Valley met with top executives from the leading Indian BPO firms, including Wipro, Aegis and AXA

Business Services as well as with NASSCOM, India's premier trade body and IT-BPO chamber of commerce. Aegis Global continues to collect data about BPO opportunities in Kosovo using KPEP resources. Quattro, another Indian BPO company, is interested in starting operations in Kosovo, pending receipt of government subsidies needed to cover the technological costs of locally implementing the firm's work-from-home model.

Support Dairy Policy Development

With KPEP's support, Kabi Dairy in Quarter 4 received technical training on altering the pH value of the drinking yogurt it produces, a processing change that will contribute to extending the product's shelf life.

KPEP, in cooperation with the Ministry of Agriculture, Forestry and Rural Development (MAFRD) and Kosovo Dairy Processors Association (KDPA), launched an educational and awareness campaign centered on World Milk Day, with the aim of increasing consumption of locally produced dairy products. According to year-on-year PBMS data, dairy sales increased by more than 1.2 million Euros.

During Year 3, KPEP worked intensely on import substitution. Kosovo Customs data show that from October 2010 to September 2011, dairy product imports fell by 2.83 million Euros, or 10.6%, compared to the same period a year earlier. Raw milk quality improvements, improvement in the quality of finished dairy products, introduction of new dairy products as well as the increase in consumer awareness all contributed to this positive change.

As regards poultry, KPEP client Konsoni is setting up a new broiler slaughtering line, with a capacity of 4,000 birds per shift. Another KPEP client, Aves Prom, is finalizing construction of a modern broiler farm with the capacity of 4,300 birds per cycle.

Wood Processing

During Year 3, KPEP continued to focus on increasing the ability of Kosovo firms to meet international standards. This is increasingly vital as the industry anticipates being able to provide and/or utilize certified timber and an approved chain of custody in the medium term, which should help Kosovo products gain acceptance on the international market. In Year 3,

KPEP also continued to develop the skills required by the industry, mostly at the middle-management level rather than among entry-level technicians.

With KPEP support, several wood processing companies cemented the international contacts they need to export locally made furniture. Tefik Canga Design, Divani, Deco, Lesna InDesign, Elnor and Galanteria all connected with international furniture suppliers, including the UK's Next and Ireland's Castlebrook. Moreover, KPEP jointly with STTA William Vernon worked with Tefik Canga Design, Lesna InDesign and Ku&Ba on developing a new range of products for export to Ghana.

KPEP remained engaged in searching for new product ideas. Close work with five companies resulted in their increasing production of finished products that meet the demands of the international market. Meeting international standards in design and quality further help firms increase their competitiveness on the local market as well. Data suggest raw material imports grew 20% during Year 3, indicating a higher demand for local finished products.

Through the Association of Wood Processors of Kosovo (AWPK), KPEP supported 62 companies in exhibiting their products at five regional furniture and wood processing fairs, resulting in increased export sales and import substitution. Exports alone account for 1.3 million Euros in sales, with local, KPEP-supported sales worth roughly 1.1 million Euros. Details follow.

- **Albrelax, Tirana, Albania:** 10 wood processing companies from Kosovo participated. According to Kosovo Customs data, exports of furniture and wood products to Albania amounted to 753,000 Euros.
- **Ambienta Fair, Zagreb, Croatia:** Nine wood processors exhibited their products under a common brand, "**Made by the Young Europeans,**" During the fair, Kosovo exhibitors also had the chance to compare their products to those made by other regional and international manufacturers.
- **Mebel, Skopje, Macedonia:** Six companies from Kosovo exhibited their products, leading to increased demand in Macedonia for their products. Lesna as a result has opened its first outlet in Skopje, while other companies are negotiating the distribution of their products in Macedonia. According to Kosovo Customs data, Kosovo's exports of furniture and wood products to Macedonia amounted to 452,000 Euros.

- **Furniture Show, Budva, Montenegro:** Three AWPK members exhibited their products at the fair, with Elnor and Daqa securing their presence on the Montenegrin market. Kosovo exports to Montenegro equal 92,000 Euros.
- **Natyra, Pristina, Kosovo:** A broad spectrum of wood products was introduced to the local market during the fair, with 54 wood processors and furniture manufacturers from Kosovo, as well as other from five other countries in the region, exhibiting their products. According to AWPK estimates, the fair generated 1.1 million Euros in sales.

AWPK established relationships with the European Federation of Furniture Manufacturers (UEA) and the association of British Furniture Manufacturers (BFM), resulting in a series of activities. Foreign representatives made several visits to local manufacturers in order to assess the situation of Kosovo's furniture industry. It resulted in AWPK's involvement in the EU-funded project FACTS 3, implemented by EUA.

Tourism

During Year 3, KPEP continued its work on marketing, promotion and creating regional linkages for tourism businesses. Because of KPEP's active work in this section, the number of multi-country and cross-border tours increased by 50% compared to Year 2, while the number of international tourists hosted by KPEP clients grew tenfold. Client firms also reported a threefold increase in tourism receipts.

During Year 3, KPEP helped in securing the following results:

* 40,048 tourists visited Kosovo, 25,983 of them local and 14,065 international.

* Overall tourist visits generated 2.8 million Euros in income, with international tourists accounting for 1 million Euros of that total.

As part of its efforts to improve promotion and marketing, KPEP supported the Kosovo Tourism Association (KOTAS) and Kosovo Alternative Tourism Association (KATA) in participating in the international conference on Tourism & Real Estate in Tirana, Albania.

With KPEP's support, KATA and the Union of Albanian Tour Operators (UATO) formed a collaborative relationship and later organized a six-day, cross-border FAM Trip that involved 22 Polish tour operators. The Polish Tourism Chamber then invited both associations to participate in the International Travel Show TT Warsaw, where Kosovo and Albania will be introduced as tourist destinations. Following the visit by the Polish tour operators, 52 Polish tourists visited Kosovo as part of three cross-border tours. The same tour operator, working in direct collaboration with local experience providers, organized three Macedonia-Kosovo-Albania-Montenegro tours for 18 French tourists, 14 Italian tourists and 23 Danish tourists.

The Regional Tourism Street Fair was held for the third time in Peja on September 10-11, as an outreach event for the municipalities of the Dukagjini Region. There, 103 experience providers participated and generated more than 20,000 Euros in sales. This marks an increase of 54% compared to last year, while the number of participants increased by 47%.

The Business and Investment Forum to explore opportunities for business linkages and FDI took place September 20-21 in Izmir, as a result of KPEP's leveraging the efforts and financial resources of the Investment Promotion Agency of Kosovo (IPAK), the Kosovo-Turkish Trade Chamber and the Izmir Chamber of Commerce. Conference participants included 13 Kosovo companies from various sectors, including tourism, and 30 Turkish companies.

Non Wood Forest Products

KPEP continued its support of this fast-growing sector during Year 3 as well. Client firms attending BioFach, the organic trade fair, in February resulted in useful new contacts and increased sales for APS, Hit Flores and other producers of organically certified commodities.

Kosovo also penetrated new markets, leading to an increase in sales in 2011. The total income generated from sales of 2,500 tons of products was 7.6 million Euros. Berry exports mainly went to Germany, while Italy absorbed most of the mushroom exports. The companies with the largest share of the market include:

- Agroprodukt – Syne, juniper berries and dried blueberries
- Hit Flores – Dragash/Dragas, juniper berries and frozen blueberries
- Scardus – Shterpce, frozen blueberries and cultivated raspberries

- As Promet – Leposaviq/Leposavic, frozen mushrooms and frozen blueberries.
- Euro Fruti – Pristina, frozen and processed mushrooms and frozen blueberries.
- Besiana – Novoberdo/Ferizaj, frozen blueberries, mushrooms and juniper berries.
- Cooperative Rugova – Peje, frozen blueberries
- Agropeti – Podujeve, frozen and processed mushrooms

Fruits and Vegetables

During Year 3, KPEP continued its cross-sector assistance to fruit and vegetable producers, both in improving production and increasing sales (domestic and foreign). The agriculture specialist, BEE and BSS worked with farmers' associations in transforming them into farmers' cooperatives, which allow them to enter into sales contracts and generate income. As a result, the farmers' associations "Perdrini" and "Adas Bio" have been registered as cooperatives.

During the year, KPEP directly facilitated the sale of 4,200 metric tons of vegetables worth 1 million Euros. With direct and indirect KPEP facilitation, 12,800 metric tons of fruits and vegetables were exported, resulting in income of 3.6 million Euros.

With KPEP liaison assistance, more than 1 million Euros was invested in a Klina-based mushroom facility that was to start growing *eringi* (oyster) mushrooms in October. The mushrooms are intended for export to Europe, which currently sources the variety from China. KPEP also continued to assist in preparations for a compost production facility in Klina. The aim is to facilitate and promote the production of compost needed to grow shiitake mushrooms for the first time in Kosovo. The products are intended for export to European markets. KPEP planned to engage a regional STTA to advice on mushroom compost production. The production of mushrooms and compost will employ at least 60 new and permanent employees. Around 100 farmers are expected to begin using the King Mushroom-supplied compost to cultivate 8-12 tons of mushrooms per month.

During this year, KPEP facilitated an agreement between the Elkos Group and Perdrini Association. Under the agreement, Perdrini will deliver vegetables grown on its fields to both the Kosovo Central Pack House in Xerxe that Elkos owns, and which should be operational by July 2012, as well as to Elkos' hypermarket outlets.

Edona/Hosa Fresh completed its first phase of investments in a vegetable collection and processing facility, spending 105,000 Euros. This company initially employed 15 workers but plans to hire up to 70 workers under the second phase of its investment plan, scheduled to take place by the end of 2011.

KPEP awarded, delivered and installed a pasteurizer that improves the vegetable processing capacities of Ask Foods in Gjilan/Gnjilane. The move should have a significant impact, especially on its exports of processed peppers.

In effort to create linkages between Kosovo producers and international markets, KPEP connected Germany's Kelmendi GmbH with various Kosovo vegetable producers and processors, which will lead to the former's importing fresh and processed product from Kosovo. KPEP also facilitated the delivery of 200 metric tons of watermelons to the Shala Multimarche fruit and vegetable trading company in Geneva, Switzerland.

KPEP sent three client companies, on a cost-share basis, to the Fancy Food Show in Washington, D.C. Prior to the fair, samples of products were delivered to Rugova Trading, a food distributor in the U.S. interested in importing Kosovo products.

KPEP will continue to assist in trade capacity building and facilitation throughout the project's life. The assistance will cover all issues facing KPEP's clients and will expand based on demand. Furthermore, KPEP will maintain a cooperative relationship with other donor projects and the GoK, as well as establish new relationships with other projects and relevant institutions, based on the need for a unified and consistent approach to trade-related issues.

Strategic Activities Fund (SAF)

SAF Review Committee: The SAF review committee continued to meet regularly. Interest from applicants increased slightly during Year 3: KPEP received 155 concept papers, compared to 146 in Year 2. KPEP approved 53 of the papers, postponed 65 and rejected 37.

Requests for Applications: During Year 3, KPEP issued two Requests for Applications. In response to its “Employment Generation and Grants to North Kosovo” and “Short-term Employment Generation Activity” requests, KPEP approved two of the three grant applications it received.

Requests for Proposals: During this reporting period, KPEP issued nine Requests for Proposals. KPEP publicized the RFPs with newspaper advertisements, on the KPEP website and, in some cases, by directly contacting vendors as a sole-sourced opportunity due to a pre-eminent capability or because the project was a follow-on to a previous activity.

KPEP signed 16 subcontracts in Year 3, with a total value of 383,488 Euros (\$543,551) including one subcontract for North Kosovo in value of 56,920 Euros (\$76,639). Meanwhile, KPEP awarded 68 grants, with a total value of 2,317,207 Euros (\$3,218,185). This includes 1,001,440 Euros (\$1,383,249) in North Kosovo. The total value of all subcontracts and grants awarded this year was 2,700,695 Euros (\$3,761,736).

Grants and Subcontracts Awarded		
Type of Award	Approved	% Distribution
Grants	€2,317,207	86%
Subcontracts	€383,488	14%
Total	€2,700,695	100%

In Year 3, KPEP awarded grants and subcontracts to organizations in the below project-approved sectors/components.

Distribution of awards by sectors during Year 3

Agriculture	€ 855,391.00	32%
Construction	€ 110,396.00	4%
Forestry	€ 15,113.00	1%
ICT	€ 59,392.62	2%
Other	€ 68,859.50	3%
Tourism	€ 65,274.43	2%
Recycling	€ 17,370.00	1%
WFD	€ 405,667.50	15%
Wood Processing	€ 187,860.00	7%
CFW	€ 915,372.00	34%
TOTAL	€ 2,700,696.05	100%

Type of awards:

Fixed price subcontracts were awarded to the following companies:

Fixed price subcontracts were awarded to the following companies						Type of ER Checklist		
No.	Awardees	Short description of the project	Sector	Enterprise level	Total in EUR	Cat. Exclusion	Neg. Determination	Pos. Determination
1	Kosovo Association of Information and Communication Technology (STIKK)	Skill Gap Analysis for Information Communication Technology	WFD	Non-Micro Enterprise	€ 14,100	X		
2	UBO Consulting	Poverty Assessment Tools Survey	KPEP	Microenterprise	€ 2,762	X		€ 2,762
3	Riinvest	KPEP Satisfaction Survey	KPEP	Non-Micro Enterprise	€ 4,537	X		
4	Kosovo Association of Information and Communication Technology (STIKK)	Call Center Training	ICT	Non-Microenterprise	€ 28,000	X		
5	Business Support Center Kosovo (BSCK)	Entrepreneurship Training Program - Phase 2	WFD	Non-Microenterprise	€ 107,900	X		

Fixed price subcontracts were awarded to the following companies						Type of ER Checklist		
No.	Awardees	Short description of the project	Sector	Enterprise level	Total in EUR	Cat. Exclusion	Neg. Determination	Pos. Determination
6	CACTTUS	Equipping the Tourist Information Center Rahovec/Orahovac	TS	Non-Microenterprise	€ 787	X		
7	BEHA	Equipping the Tourist Information Center Rahovec/Orahovac	TS	Microenterprise	€ 1,490	X		€ 1,490
8	Drenica SH.P.K.	Tourism Signposting in Rahovec/Orahovac	TS	Microenterprise	€ 1,345	X		€ 1,345
9	ISQ International	Accreditation of the KEK Training Center for Welding Courses	WFD	Non-Microenterprise	€ 99,950	X		
10	Republika - Marketing Communication Agency	Dairy Promotion	AS	Non-Microenterprise	€ 10,650	X		
11	Kosovoguide.com	Rahovec/Orahovac Tourism Map Proposal	TS	Microenterprise	€ 2,400	X		€ 2,400

Fixed price subcontracts were awarded to the following companies						Type of ER Checklist		
No.	Awardees	Short description of the project	Sector	Enterprise level	Total in EUR	Cat. Exclusion	Neg. Determination	Pos. Determination
12	N.T.P.YAPRAK	Supply of milking machines to Gracanica Municipality/Bylmeti partnership	AS	Microenterprise	€ 3,200	X		€ 3,200
13	ITBM Group L.L.C.	Online Marketing of Wine Tourism Destination Rahovec/Orahovac Region	TS	Microenterprise	€4,076	X		€ 4,076
14	Association of Wood Processors of Kosovo (AWPK)	Internship Program in Wood Processing Industry	WFD	Microenterprise	€ 35,470	X		€ 35,470
15	Rrota	Tourism and Cleanliness Awareness Campaign in Rahovec/Orahovac Region	TS	Non-Microenterprise	€ 9,900	X		

Fixed price subcontracts were awarded to the following companies						Type of ER Checklist		
No.	Awardees	Short description of the project	Sector	Enterprise level	Total in EUR	Cat. Exclusion	Neg. Determination	Pos. Determination
16	Business Support Center Kosovo (BSCK)	Entrepreneurship Program for North Kosovo	CFW	Non-Microenterprise	€ 56,920	X		
TOTAL					€ 383,488			

Grants were awarded to the following organizations:

Grants awarded						Type of ER Checklist		
	Awardees	Short description of the project	Sector	Enterprise level	Total in EUR	Cat. Exclusion	Neg. Determination	Pos. Determination
1	Swiss - EU Medical Sh.P.K	IT Solutions for Pattern Production/3D Designing and Visualization Software	WFD	Microenterprise	€ 36,247	X		
2	V-Kelmendi	Meeting quality standards for export	AS	Microenterprise	€ 14,000	X		

Grants awarded						Type of ER Checklist		
	Awardees	Short description of the project	Sector	Enterprise level	Total in EUR	Cat. Exclusion	Neg. Determination	Pos. Determination
		of domestic agricultural products (collection, sorting, classification, labeling and packing) by increasing quality of services at collection center and improved relations with other centers in Kosovo		Enterprise				
3	Beselidhja/Zavet Microfinance (BZMF)	KPEP's Microenterprise Grant Program	KPEP	Non-Microenterprise	€ 36,560	X		
4	Kosovatex	Three-month training course in tailoring for 200 employees to enable products made in new factory to meet required increased output and higher quality standards	WFD	Non-Microenterprise	€ 50,000	X		
5	Scardus	Non-Wood Forest Products Processors HACCP Introduction and Certification	AS	Microenterprise	€ 7,000	X		
6	Rugova	Non-Wood Forest Products Processors HACCP Introduction and	AS	Microenterprise	€ 7,000	X		

Grants awarded						Type of ER Checklist		
	Awardees	Short description of the project	Sector	Enterprise level	Total in EUR	Cat. Exclusion	Neg. Determination	Pos. Determination
		Certification						
7	Agro-Peti	Non-Wood Forest Products Processors HACCP Introduction and Certification	AS	Microenterprise	€ 7,000		X	
8	Agroprodukt Syne	Non-Wood Forest Products Processors HACCP Introduction and Certification	AS	Non-Microenterprise	€ 7,000		X	
9	Besiana	Non-Wood Forest Products Processors HACCP Introduction and Certification	AS	Microenterprise	€ 7,000		X	
10	TC Bashkimi	Fruit and Vegetable Collection Centers	AS	Microenterprise	€ 31,300		X	
11	AC Liria	Fruit and Vegetable Collection Centers	AS	Microenterprise	€ 35,000		X	
12	TC Fruti	Fruit and Vegetable Collection Centers	AS	Microenterprise	€ 35,000		X	
13	Association for Finance and Accounting	Training and Internship Program for 100 jobseekers in the field of Accounting and Finance and their	WFD	Microenterprise	€ 17,000	X		

Grants awarded						Type of ER Checklist		
	Awardees	Short description of the project	Sector	Enterprise level	Total in EUR	Cat. Exclusion	Neg. Determination	Pos. Determination
	Services (AFAS)	placement in internships						
14	AG Group	Support in setting-up the technology for the recycling of pulping waste	REC	Non-Microenterprise	€ 17,370	X		
15	Ask Trade	Purchase of Tunnel Pasteurizer	AS	Non-Microenterprise	€ 36,000		X	
16	The Ranch	Alternative Feeding Regime	TS	Microenterprise	€ 9,000		X	
17	Agrocelina	Value-added for Vegetable Products through Collection Center	AS	Microenterprise	€ 13,000		X	
18	MOEA	Fruit and NWFP Storage Capacity Collection Center	AS	Non-Microenterprise	€ 34,000		X	
19	Hosa Fresh	Establishment of a Collection Center in Rogova Region	AS	Microenterprise	€ 35,000		X	
20	FERODA	Purchase of Wood Chipper Grinding Machine	WS	Microenterprise	€ 31,360		X	
21	Kosovo Dairy	Transparent Raw Milk Sampling	AS	Microenterprise	€ 28,600	X		

Grants awarded						Type of ER Checklist		
	Awardees	Short description of the project	Sector	Enterprise level	Total in EUR	Cat. Exclusion	Neg. Determination	Pos. Determination
	Processors Association (KDPA)			Enterprise				
22	Widows Association Krusha	Better Facilities and Increased Processing Capacities	AS	Microenterprise	€ 30,360		X	
23	Biopak	Introduction of the Technology for the Sterilization of Processed Fruits and Vegetables	AS	Non-Microenterprise	€ 35,808		X	
24	Telecommunication Regulatory Authority (TRA)	Internet Exchange Point	ICT	Non-Microenterprise	€ 7,872	X		
25	Brickos	Building a New Tunnel Kiln for the production of Bricks	CS	Non-Microenterprise	€ 50,000		X	
26	Association of Wood Processors of Kosovo (AWPK)	Supporting AWPK membership in visiting the main wood processing event of the year	WP	Microenterprise	€ 72,000	X		
27	Road Construction Association of	Road Industry Magazine	CS	Microenterprise	€ 3,500	X		

Grants awarded						Type of ER Checklist		
	Awardees	Short description of the project	Sector	Enterprise level	Total in EUR	Cat. Exclusion	Neg. Determination	Pos. Determination
	Kosovo (RCAK)							
28	Gacaferri Mobilje	Development of new professional kitchen catalog - detailed product blueprint catalog for sales agents	WS	Non-Microenterprise	€ 15,000	X		
29	Kosovoguide.com	Promotional CDs for Kosovo Tourism Destination	TS	Microenterprise	€ 7,400	X		
30	Association for Finance and Accounting Services (AFAS)	Training and internship program for 300 job seekers in the field of accounting and finance and their placement in internships	WFD	Microenterprise	€ 45,000	X		
31	Scardus	Strengthening collection system through assistance in buying small-scale equipment for the cleaning of blueberries, rosehips and other NWFP products	AS	Microenterprise	€ 25,000		X	
32	Eminel	Production of cardboard crates for fruits and vegetables	AS	Microenterprise	€ 25,000		X	
33	Agroalbi	Purchase and installation of heating systems for drying chamber	AS	Non-Microenterprise	€ 15,000		X	

Grants awarded						Type of ER Checklist		
	Awardees	Short description of the project	Sector	Enterprise level	Total in EUR	Cat. Exclusion	Neg. Determination	Pos. Determination
		technology		enterprise				
34	Mali	Education of forest owner children in traditional forest management techniques ("My Forest")	FS	Non-Microenterprise	€ 15,113	X		
35	Grate Fermere	Purchase of vegetable processing equipment and cold storage	AS	Non-Microenterprise	€ 25,370		X	
36	Malina Mesecarka Vilamet Miker (MVM)	Establishment of 40 demonstration plots	AS	Non-Microenterprise	€ 16,000	X		
37	DST Produkt	Purchase and Installation of Central Greenhouse Heating	AS	Microenterprise	€ 15,300		X	
38	Thesari	Utilization of wood waste and biomass for production of briquettes	WP	Microenterprise	€ 35,000		X	
39	Adaptivit	Internship Program for Adaptivit BPO Competence Center	ICT	Microenterprise	€ 23,520	X		
40	Las Pallmas	Establishment of 3,000m2 greenhouse	AS	Microenterprise	€ 30,000		X	
41	Agroprodukt Syne	Purchase of small-scale equipment	AS	Non-	€ 35,000		X	

Grants awarded						Type of ER Checklist		
	Awardees	Short description of the project	Sector	Enterprise level	Total in EUR	Cat. Exclusion	Neg. Determination	Pos. Determination
		for the cleaning and grading of berries		Microenterprise				
42	Kosovo Alternative Tourism Association (KATA)	1. FAM Trip to Kosovo with Polish tour operators 2. Development and printing of promotional materials for KATA 3. Organizing tourism job fair 2011	TS	Microenterprise	€ 11,475	X		
43	Intercoop	Improvement of packaging technology for potato processing through new packing machine	AS	Non-Microenterprise	€ 35,000		X	
44	Euroлона	Installation of new yogurt packing line for fruit yogurt and other processed dairy products, such as cream cheese and <i>ayran</i> yogurt drink	AS	Non-Microenterprise	€ 26,000		X	
45	Besiana	Purchase of materials and equipment to implement HACCP	AS	Non-Microenterprise	€ 7,230		X	
46	Rizam Holding	Laboratory establishment for examination and testing of raw clay	CS	Non-Microenterprise	€ 21,896		X	

Grants awarded						Type of ER Checklist		
	Awardees	Short description of the project	Sector	Enterprise level	Total in EUR	Cat. Exclusion	Neg. Determination	Pos. Determination
		materials, technological processes and final brick products		enterprise				
47	DPZ Fitimi	Improvement of agricultural products and processing	AS	Microenterprise	€ 19,275		X	
48	Rugova	Purchase and installation of Multivac Cheese Packaging Machine	AS	Microenterprise	€ 15,000		X	
49	Rizona	Modernization of plant for vegetable products destined for EU (conservation, labeling, packing and quality control of products)	AS	Non-Microenterprise	€ 29,100		X	
50	Vokrri	Purchase and installation of cold chamber and grading line	AS	Microenterprise	€ 30,000		X	
51	Konsoni	Renting of equipment for broiler roasting (mobile) and setting up equipment for broiler roasting (fixed)	AS	Non-Microenterprise	€ 6,710	X		
52	Hit Flores	Support to the machinery which will enable the increase of freezing capacity, which will increase the export possibility of the company.	AS	Non-Microenterprise	€ 35,000		X	

Grants awarded						Type of ER Checklist		
	Awardees	Short description of the project	Sector	Enterprise level	Total in EUR	Cat. Exclusion	Neg. Determination	Pos. Determination
53	Rugova Cooperative	Purchase of Cooling Equipment for Non-Wood Forest Products (NWFP)	AS	Non-Microenterprise	€ 5,000		X	
54	Peje/Pec Municipality	Tourism Street Fair 2011 "Experience the Dukagjini Plain"	TS	Non-Microenterprise	€ 6,000	X		
55	Kosovoguide.com	Integrating Kosovo into western Balkans geotourism website ("Western Balkans—The Land of Discovery")	TS	Microenterprise	€ 11,400	X		
56	Vinex	Support finalizing the investment in a new production line for producing steel guardrails	CS	Non-Microenterprise	€ 35,000		X	
Grants awarded in North Kosovo								
57	Women Business Association (WBA)	Short-term Employment Generation Activity	CFW	Non-Microenterprise	€ 198,300	X		
58	AS Promet	Processing of Non-Wood Forest Products	AS	Microenterprise	€ 20,000		X	

Grants awarded						Type of ER Checklist		
	Awardees	Short description of the project	Sector	Enterprise level	Total in EUR	Cat. Exclusion	Neg. Determination	Pos. Determination
59	Antonije	Installation of Greenhouse Central Heating and Cold Chamber	AS	Microenterprise	€ 19,408		X	
60	Naja	Purchase and Installation of Furnaces and Installation of Heating for Greenhouse Area	AS	Microenterprise	€ 15,000		X	
61	Aves Prom	Setting up Commercial Poultry Farm	AS	Microenterprise	€ 24,080		X	
62	Women Business Association (WBA)	Short-term Employment Generation Activity, Phase II	CFW	Non-Microenterprise	€ 253,479	X		
63	EKO Centar	Purchase of Grain Cleaning Machine	AS	Microenterprise	€ 5,000		X	
64	SZTR Markovic	Purchasing of Wood Drying Chamber	WS	Microenterprise	€ 15,000		X	
65	Mundesia	Short-term Work, Phase III	CFW	Non-Microenterprise	€ 314,071	X		
66	Metal	Purchase of restaurant and kitchen equipment in order to open	KPEP	Non-Microenterprise	€ 25,000		X	

Grants awarded						Type of ER Checklist		
	Awardees	Short description of the project	Sector	Enterprise level	Total in EUR	Cat. Exclusion	Neg. Determination	Pos. Determination
		restaurant		enterprise				
67	M&A	Forest maintenance through silviculture treatment of young stands	CFW	Microenterprise	€ 92,602		X	
68	ANB Milic	Buying equipment for production of furniture	WP	Microenterprise	€ 19,500		X	
TOTAL					€ 2,317,207			

Almost two-thirds of our awards (64%) support activities that benefit non-microenterprises:

Distribution of Awards by Type of Enterprise		
Enterprise	Percentage	EURO
Nonmicroenterprise	64%	1,733,623 €
Microenterprise	36%	967,070 €
Total	100%	€ 2,700,695

Environmental Compliance Report

In addition to the existing Environmental Examinations (IEE), KPEP completed another IEE for North Kosovo, approved during Year 3. In accordance with Regulation 22 CFR 216 Threshold Determination, the IEE aims to ensure activities to be implemented under KPEP are environmentally sound.

The IEE requires Booz Allen, as the implementing contractor, to take certain actions. In particular (as specified in the IEE), all sub-agreements under the program must incorporate provisions that the activities to be undertaken comply with the environmental determinations and recommendations of the IEE.

During this year, KPEP supported 84 activities through SAF (see table below). Of these, 44 activities fall under the category of “Categorical Exclusion,” or activities that have no effect on the natural or physical environment; 40 fall under the category “Negative Determination,” or activities that have a small potential for environmental impact and for which an environmental report is prepared. Furthermore, during this period, KPEP prepared five Pollution Prevention Assessments (PPAs).

Monitoring requirements

The Initial Environmental Examination Document, DCN: 2008-KOS-002, indicates the observation and reporting tasks for each activity subject to an environmental compliance document, such as EDD, PPA and PERSUAP. EDD reports include the EMMP that specifies the mitigation measures and monitoring indicators for each activity. Also, EMMPs provide the monitoring frequency and monitoring responsibility. PPAs include recommendation for short-, medium- and long-term actions to be undertaken by the companies benefiting from USAID’s support, through KPEP, in order to mitigate any identified potential adverse impacts. No PERSUAPs were conducted in this reporting period. Following the IEE, EDD and PPA requirements, an environmental monitoring plan was developed, and it is under implementation. So far, KPEP has visited 23 companies as part of this process.

Monitoring goal and methodology

The monitoring visits aimed to inspect the implementation of environmental recommendations as indicated in the EDDs for each company/organization. The monitoring assessment is based on the potential environmental impacts, mitigation measures and monitoring indicators as set out at the EMMPs of the EDDs for each activity. The monitoring visits included:

- Visual observation and photographs related to: physical impacts, water use, waste management, use of personal protective equipments (PPE), fire safety measures, ventilation, wastewater collection and discharge, wastewater treatment, fuel used, and hazardous materials storage.
- Interviews with owners or managers related to the progress made on completing: environmental permits, water permits, fire safety permits; plans for meeting their commitments for improving technology, reducing emissions, applying for relevant permits, investing on wastewater treatment, etc.

Separate monitoring reports on monitoring visits are prepared and filed for each company/organization visited.

Current situation—Summary

Most of the activities visited include: Vegetable collection and processing, fruit collection, NWFP collection, greenhouses (vegetable production). Others include pellet/briquette production (2), dairy production (2), brick production (2), and metal products (1).

Physical impacts

No activities that include earth removal or any other physical activity that might have significant environmental impacts were noted.

Water use

Most of the activities use water from their own wells, with a few others relying on a public water supply system. Water is used for irrigation purposes (greenhouses) and for cleaning purposes.

Companies are advised to use water efficiently and, when possible, to re-use the water, practice dry cleaning, and in other cases to use low volume-high pressure water cleaning.

Some companies do not have a water meter. Even if they use their own well water, they are advised to install a water meter and to keep records of their water consumption.

Energy use

Electrical power is the most common energy source for most of the companies. For heating purposes, one of the companies uses coal (Las Pallmas), but plans to switch to gas. Brickos still uses heavy oil, but has started to add petroleum coke; the other companies use gas, pellets and briquettes.

Wastewater

In most of the cases, wastewater results from cleaning activities. Most of the companies have developed a private wastewater collection system that ends in a septic tank. Few of them have developed a series of septic tanks needed to mechanically treat their wastewater. Vinex has installed a WWTP that, for its current production capacity, treats the wastewater adequately.

Hazardous materials

Some of firms handle hazardous materials used for cleaning purposes. The hazardous materials are stored properly in designated locations.

Air emissions

None of activities visited belong to the Large Combustion Plants category. No significant air emissions are evident at any of the firms. Air emissions may results from burning fuels for heating purposes, but with limited capacities, and at an acceptable rate.

Biological impacts

Few activities include NWFP collection and processing. The companies claimed to have trained staff in the collection of NWFP, and that they remain in cooperation with relevant authorities in order to sustainably harvest all NWFP.

Waste management

No problems were seen at the sites related to waste management. Organic wastes are reportedly composted and used as fertilizer. Wooden wastes are reused, whereas the remaining waste is collected by public waste collection companies and disposed at landfills.

Challenges

Water permit

EDD for most of the activities indicates the need for water permits. Some of the activities visited did not apply for water permits. Their explanation was that authorities had not requested such a permit. The companies were advised to ask the Water Department (within the Ministry of Environment and Spatial Planning) if a water permit is required for certain activity, and if so, to then apply for it.

IPPC License

Vinex, Rizam, Brickos and other companies were recommended by EDD-PPA to obtain an IPPC license. A KPEP expert was informed by the MESP that an IPPC licensing procedure is not yet in place, and therefore, relevant businesses are not required to have an IPPC permit for now.

Wastewater treatment

Wastewater management remains a common challenge for the activities visited. Most of them have developed a private wastewater collection system that ends in a septic tank, without any prior treatment. The companies visited claim that they would have financial difficulties in investing in WWTP.

Positive trends

HACCP Certification

All the companies that deal with food production remain on track for HACCP certification. Beyond just food quality standards, HACCP enables them to improve environmental conditions as well.

Fuel Consumption

Most of activities that involve fuel consumption for heating purposes have started or are planning to use wood pellets/briquettes as an energy source, instead of coal, oil or wood.

Cooperation

The cooperation between companies that burn fuel for heat and those that produce pellets/briquettes (i.e., Thesari and Agroalbi, both supported by USAIDKPEP) provides a good example of how economical development and environmental protection can go hand-in-hand.

Additional Donations

The European Commission supports Bylmeti and Magic Ice in expanding their production facilities. According to the project manager, this support includes improvement of environmental conditions at their facilities.

Monitoring visits

Out of total 43 activities that fall within the category of negative determination, the visits are completed as follows:

- 23 activities – visited. The table below provides more details for the companies visited.
- 17 other activities are still under grant implementing process, such as purchasing or installing equipment (seven of them are from the northern part of Kosovo).
- Three activities belong to the northern part of Kosovo, Leposavic and Zubin Potok haven't been visited yet due to the current situation.

TABLE: SUMMARY FOR EACH INDIVIDUAL COMPANY VISITED

Company/Activity	Main EDD Indications	Situation
Agroprodukt Syne Collection, cultivation and drying of medical and aromatic plants and forest fruits	Sustainable harvesting of NWFP	This company is certified for the sustainable use of NWFP; indeed, a sustainable harvest is in their own interest. It usually hires trained and experienced collectors. When needed, it organizes trainings of new hires. The company is advised to keep records of staff trained, and to plan on regular cooperation with authorities.
Las Pallmas Vegetable production, and vegetable seed production and trading	Coal used for heating purposes, and wastewater management.	The company has started to construct a new facility that will enable it to use gas instead of coal. Also the company plans to upgrade its wastewater collection system and build a new septic tank.
Rizona Conservation, labeling, and packaging of “somborka” peppers	Hygiene, waste management, water use, and wastewater.	No problems were seen at the site. The company is connected to public water and wastewater discharge systems. The company was advised to ask the MESP if a water permit is needed.
Grate Fermere Pickles and <i>ajvar</i> production.	Contract with wood supplier; areas of action defined according to HACCP.	The company did not have a wood supply contract, but it has all the receipts for the wood purchased. HACCP planned for next year
Brickos Production of clay bricks.	Environmental and water permits, and to use an alternative fuel instead of mazut (heavy oil).	The company has received environmental and water permits from the MESP. The company has started to use petroleum coke to fuel its kiln. Heavy oil still accounts for 30% of fuel use.

Company/Activity	Main EDD Indications	Situation
Bashkimi Vegetable and fruit collection.	Maintenance of the cooling chamber, and initiating the HACCP procedure.	The cooling chamber is maintained by “Frigoterm,” which installed it originally. Bashkimi plans to initiate the HACCP certification procedure next year.
Widows association Pepper, pickles, and ajvar production.	HACCP and hygiene	The owner plans to initiate the HACCP certification procedure in the near future. In general, hygiene was at an acceptable level.
Rugova LLC Milk processing/milk products	Storage of hazardous material, whey collection, and final product storage.	A new small facility, separated from the main facility, is used for the storage of hazardous materials (NaOH). The whey is given to the farmers the company works with. The company will analyze if it is feasible to market the whey as a drink. Final product storage is organized as recommended.
Feroda Wood pellets production.	Fire risk management, wood supply contract, filtration system and, PPE	Four fire extinguishers are placed at the pellet production facility. No wood supply contract is available. Filtration systems in place, with no problems seen in this regard. Three workers seen working during a visit all wore masks and gloves.
DST Product Vegetable (greenhouse) production	Well water quality, and fuel for heating purposes	Well water is not yet monitored. The company plans to use pellets for greenhouse heating.

Company/Activity	Main EDD Indications	Situation
Thesari Wood waste processing into briquettes/pellets	Ventilation, wood supply contract, fire risk prevention, fuel used for drying.	Ventilation was adequately maintained. Company staff carries out maintenance. No contracts are available. Company does have evidence of its suppliers and quantities supplied. Four extinguishers visible and easily accessible. Pellets/briquettes are used for drying process.
Vinex Metal galvanizing	Occupational health and safety, ventilation, storage of hazardous materials, wastewater treatment	All at an acceptable level. Workers were wearing adequate PPE. The overall indoor environment was appropriately maintained. Hazardous materials stored in a separate and adequate location. Wastewater is treated at the wastewater treatment plant.
Agrocelina Vegetable and fruit collection	Cooling chamber maintenance, and initiating the HACCP procedure	No maintenance activities were needed or undertaken so far. No activities under way during visit. No problems seen in terms of facility organization. HACCP certification procedure not yet initiated.
Liria Vegetable and fruit collection	Cooling chamber maintenance, asbestos roof, PPE	The cooling chamber has been installed but not yet functional. The roof has not been removed for repair and insulated on the inside. No activities were ongoing at site during the visit, and no workers were seen.
Rugova Cooperative Wild fruit collection and processing	Cooling chamber maintenance, ozone-friendly refrigeration	The cooling chamber has not yet been installed.

Company/Activity	Main EDD Indications	Situation
Agroalbi Vegetable and vegetable seed production and trading	Monitoring results of well water quality; Fuel for greenhouse heating; HACCP	No well water quality monitoring results available. Pellets will be used for heating during the cold season. HACCP certification first steps taken.
MOEA Fruit and NWFP collection and processing	Cooling chamber maintenance; gas storage; hazardous materials.	The cooling chamber is not yet operational. The company uses bottled gas. Chemicals are stored in a separated but temporary location.
Biopak Fruit and vegetable processing (<i>ajvar</i> , juice and wine)	Emergency plan, gas reservoir maintenance, PPE	10 fire extinguishers are visible and easily accessible. No smoking/fire signs are visible across the facility. The gas reservoir is guarded with metal grids, with access controlled by an authorized employee. Workers seen to wear PPE.
Rizam Production of clay bricks	Permits, PPE, mines closure plan	Rizam has an environmental permit. No workers were seen during a visit. According to the owner, Rizam purchases raw materials (clay) and is not responsible for actual mining (clay extraction) activities.
Bylmeti Milk processing/dairy	Permits; firefighting equipment; wastewater management	Bylmeti has received the required permits for construction, EIA, dairy processing and fire safety. It is HACCP-certified. Currently, Bylmeti is expanding and reconstructing its facilities. This includes constructing a new WWTP and improving overall environmental conditions.

Company/Activity	Main EDD Indications	Situation
Magic Ice Milk processing/dairy	Permits, wastewater management	The company has received construction, EIA, and dairy processing permits. It is under the HACCP implementation process. The company has received additional support from the European Commission and plans to improve its overall environmental conditions, in particular wastewater treatment.
MAGIC ICE Milk processing / dairy	Permits, wastewater management	The company has received the construction, EIA, and dairy processing permits. It is under HACCP implementation process. The company has received an additional support from European Commission and plans to improve its overall environmental conditions, in particular wastewater treatment.
Scardus NWFP collection	Training workers on NWFP collection	The company has organized trainings and disposes relevant material. Participant lists etc. In addition, they have produced leaflets to contribute to awareness raising of workers and to the wider public for sustainable harvesting of NWFP
Besiana NWFP collection	Licensed company to maintain the cooling chamber; and Training workers on NWFP collection	The cooling chamber is recently installed and no maintenance activities were carried out. The company stated they train the workers each beginning of the season, but so far they did not keep records. They will do it on the future.

Performance Based-Management System

1. Summary

Progress to Date Highlights			
	Q4 Y3 Target	Q4 Y3 Actual	Performance Evaluation
Increase in sales ¹ , million Euros	40.1	72.9	↑
Increase in investment, million Euros	16.0	26.2	↑
Increase in exports, million Euros	-	22.9	↑
Increase in number of full-time jobs ²	4,031	3,925	↓
Number of enterprises assisted in KPEP database	110	126	↑
Number of business services providers (BSPs)	35	16	↓
Number of people trained	2,500	6,466	↑

During the quarter ending September 30, 2011, which also marks the end of Year 3, KPEP-supported firms achieved significant growth in sales, investment, and full-time jobs. The cumulative target increase in sales to date was originally set at 40.1 million Euros, using the target for both Components One and Two. The cumulative Life of Project (LOP) increase in sales is 72.9 million Euros, which means that the project has already exceeded not only the target increase for Year 3, but also the target increase in sales increase for the entire LOP. The main contributors to the increase in sales are the agriculture sector, with 40.2 percent, construction with 29.7 percent, and forestry and wood processing with 19.5 percent, while tourism sector contributed with 3.9 percent, the ICT sector with 3.8 percent, the BSPs sector contributed with 1.9 percent and other sectors with 1.0 percent. At the sub-sector level, road

¹ This figure combines sales increase in targeted sectors and BSPs.

² This figure combines FTE jobs increase in targeted sectors and BSPs.

construction still remains the main contributor to the increase in sales, although the sales figures are as of June 30 2010, which marked KPEP's redirecting its support from road construction to the construction materials sub-sector. The share of road construction to the overall increase is 25.1 percent. Other key contributors to the increase include the dairy sub-sector with 21.2 percent, fruits and vegetable sub-sector with 19.7 percent and wood processing sub-sector with 19.0 percent.

Cumulative LOP investment growth is 26.2 million Euros, already exceeding the LOP target of 20.0 million Euros. The main contributors to the increase in investment are companies in the construction sector, with 45.7 percent, agriculture with 37.7 percent, and forestry and wood processing sector with 13.9 percent. Finally, the ICT, tourism and recycling sectors contributed altogether 2.7 percent.

At the sub-sector level, road construction remains the main contributor to the increase in investment, with 24.4 percent. The construction materials sub-sector contributed 21.3 percent, dairy sub-sector 16.5 percent, fruits and vegetable sub-sector 13.2 percent and the wood processing sub-sector 12.6 percent. During the last quarter alone, investments increased by 4.9 million Euros across all sectors.

KPEP-assisted companies have added 3,925 full-time equivalent (FTE) jobs since the beginning of the project. The various KPEP sectors and components account for this increase as follows: agriculture sector with 39.7 percent, the construction sector 16.1 percent, forestry and wood processing 14.6 percent, BSPs 10.5 percent, ICT 5.4 percent, tourism sector 3.1 percent, and recycling 1.3 percent. Other sectors, including textile and the "North project" contributed 10.6 percent. At the sub-sector level, the fruit and vegetable sub-sector remains the main contributor to the increase in FTE jobs, with 15.8 percent. Meanwhile, the wood-processing sub-sector contributed 13.6 percent, road construction sub-sector 10.6 percent, BSPs 10.5 percent and the dairy sub-sector 10.1 percent.

During the last quarter alone, there was a gain of 702 FTE jobs across all sectors, a figure that represents the largest increase since the start of the KPEP project.

Cumulative LOP data for exports show an increase over the baseline of 22.9 million Euros. The exports/imports coverage ratio for KPEP-supported sectors is at 52.9 percent. The Kosovo-wide data show a 13.9 percent exports/imports coverage ratio for the period from October 2010 to August 2011, or the most recent month for which data are available. The main contributors to the increase in exports at KPEP-supported enterprises are the construction sector, with 47.2 percent and agriculture with 29.5 percent. At the sub-sector level, road construction is the main

contributor to the increase in exports, with 46.0 percent, followed by the fruit and vegetable sub-sector with 21.5 percent and the wood-processing sub-sector with 16.2 percent.

Below is the performance of KPEP sectors and sub-sectors for the LOP on the following key indicators: sales, exports, jobs and investment. Note that sales, export and investment figures are in Euros.

Sector	Sub-sector	Increase in sales	Increase in exports	Increase in FTE	Increase in investment
Agriculture		29,310,533	6,768,734	1,558.23	9,896,804
	Dairy	15,460,442	1,115,348	396.18	4,317,005
	Fruits and vegetables	14,343,299	4,929,945	618.40	3,468,728
	Non-wood forest products	(836,194)	723,441	389.05	1,807,571
	Poultry meat processing	342,986	-	154.60	303,500
Construction		21,618,915	10,830,903	633.14	11,989,055
	Construction Materials	3,295,289	280,843	216.74	5,592,843
	Road Construction	18,323,626	10,550,060	416.40	6,396,212
	ICT	2,782,262	53,022	211.00	279,608
Tourism		2,839,408	1,200,403	122.29	407,497
	Tourism	2,839,408	1,200,403	122.29	407,497
Recycling		103,801	86,200	52.97	3,131
	Recycling	103,801	86,200	52.97	3,131
Forestry & Wood Processing		14,245,180	3,708,093	571.37	3,641,672
	Wood Processing	13,820,922	3,708,093	535.63	3,299,272
	Forestry	424,258	-	35.74	342,400
BSPs		1,355,659	-	410.25	-
	BSPs	1,355,659	-	410.25	-
Other		613,105	294,785	366.20	20,000
	Other	613,105	294,785	366.20	20,000
Grand Total		72,868,863	22,942,140	3,925.45	26,237,767

During this quarter alone, 10 new enterprises were added to the PBMS system: five in wood processing, two in construction, two in ICT and one in food processing—a company located in the northern part of Kosovo.

The distribution of the total number of enterprises by sector is as follows: agriculture sector with 49 enterprises, construction sector with 23 enterprises, forestry and wood processing with 22

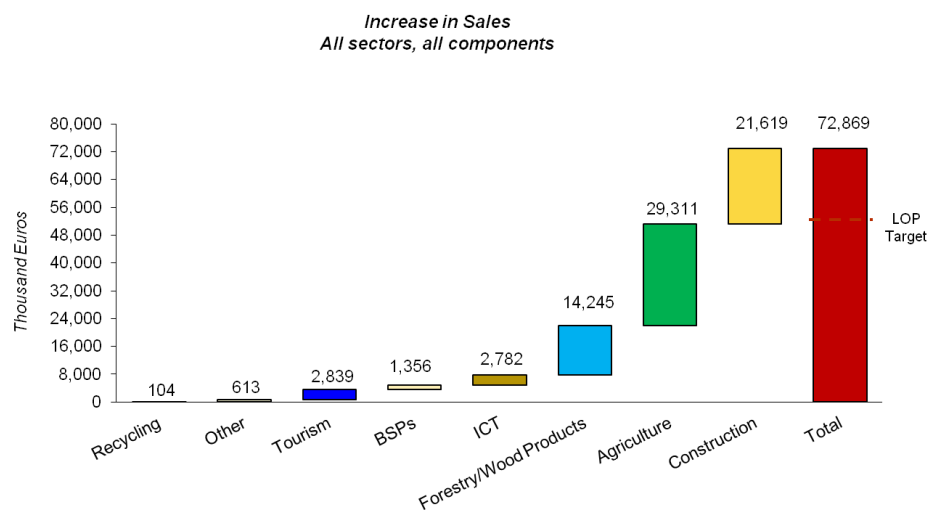
enterprises, tourism sector with 16 enterprises, ICT with 10 enterprises and recycling sector with 4 enterprises. The textile sector and food processing/wheat production have one company each as well. There are 16 business service providers in the client database of the Component Two. No new clients were added to this sector during this quarter.

The data on those trained show that 6,466 people have received training since the start of the project, 4,823 of them male and 1,643 female. Below are the number of people trained disaggregated by the type of the training for the LOP:

- 2,602 people participated in KPEP-supported presentations
- 2,467 attended trainings,
- 36 participated in the twinning partner training program
- 133 participated in roundtables
- 858 participated in different workshops
- 224 participated in conferences organized or supported by KPEP
- 7 individuals participated in study trips
- 40 participated in B2B events organized or supported by KPEP
- 99 participated in field day events organized or supported by KPEP

Sales

The total increase in sales reached 72.9 million Euros, both in enterprises under Component



One (agriculture, construction, forestry and wood products, ICT and tourism) and BSPs, under Component Two. KPEP has achieved a 45.2 percent growth in sales compared to the baseline. Target

increase was set in the beginning of the project at 25.3 percent over the annualized baseline.

The construction and agriculture sectors remain the main contributors to the sales growth.

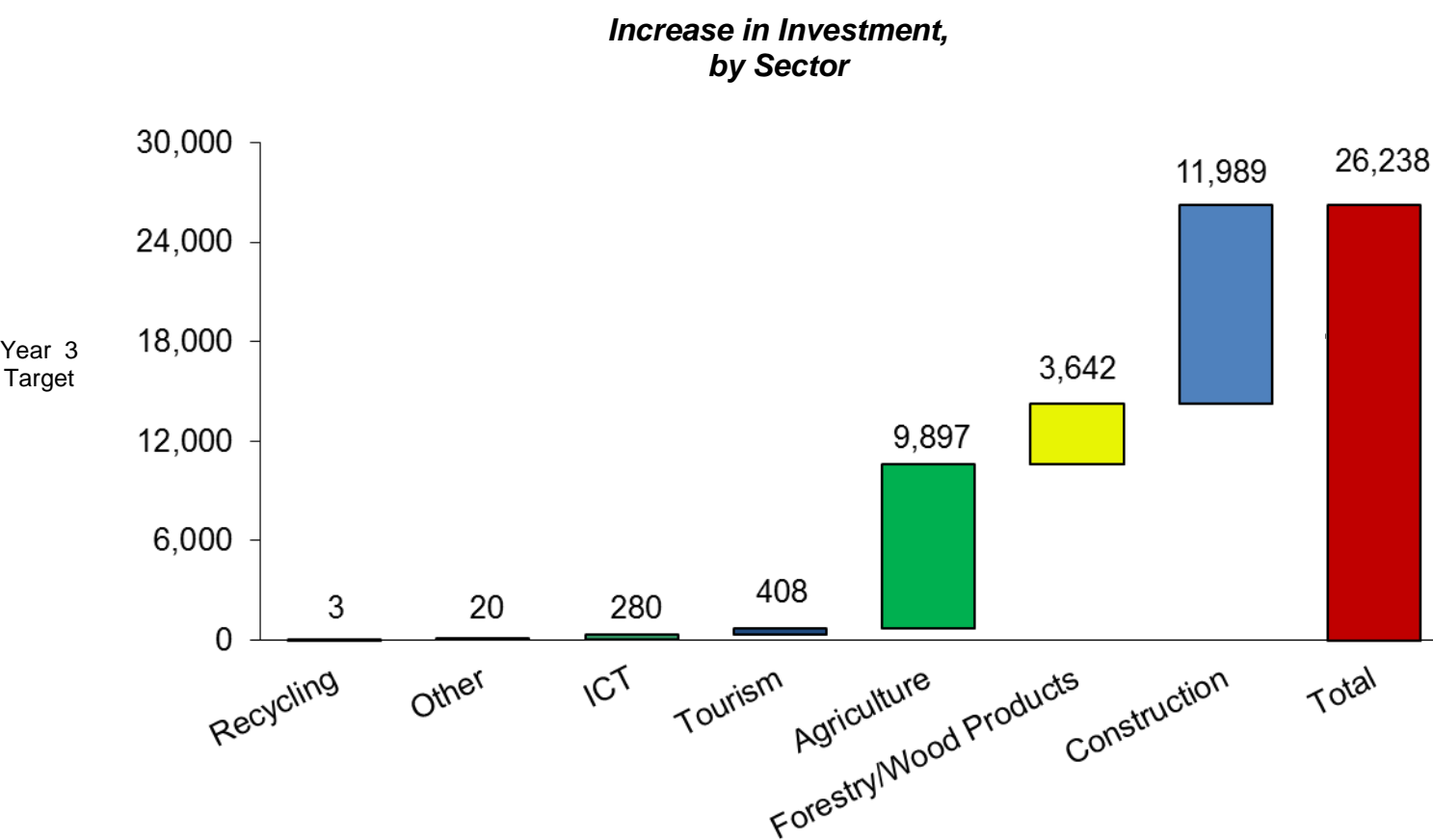
The main contributors to this increase are the companies presented in the table below:

Company name	Sector	Euro increase in sales
Lesna	Wood Processing	11,260,793
Abi	Dairy	8,781,160
Eurokos	Road Construction	7,249,283
Pestova	Fruits and vegetables	5,276,594
Devolli	Dairy	4,889,378
Agrounion	Fruits and vegetables	4,816,260
Lin Projekt	Construction Materials	3,546,486
Eurofood	Fruits and vegetables	3,511,380
Eskavatori	Road Construction	3,133,187
Papenburg & Adriani	Road Construction	2,620,746
Cactus	ICT	2,326,428
Bejta Commerce	Road Construction	1,911,357
Fibula Travel	Tourism	1,700,000
Graniti	Road Construction	1,577,466
KAG Asphalt	Road Construction	1,226,187

These companies account for more than 90 percent of the total increase in sales. Most of the KPEP client enterprises in the NWFP sector had an increase over the baseline. However, since one of the major enterprises in the sector suffered a decrease of more than 1.4 million Euros comparing with its baseline data, the overall result for the sector shows a decrease in sales. This company mainly trades in wild mushrooms. There are several reasons for its decline in sales, according to the owner of the company. These include a lack of rainfall during the main season for mushrooms over the past last two years; removal of the EU preferential tariffs for Kosovo products (the company exports exclusively to the EU) and barriers for transit exports through Serbia.

2. Investment

The total value of investments reached 26.2 million Euros, thus already exceeding the LOP



target of 20 million Euros. The construction sector continues to drive investment growth among KPEP firms although its share of this growth dropped from 55.2 percent of the project's total reported increase in investment to 45.7 percent. This is the result of KPEP's redirecting its support from road construction companies to the companies in the construction materials sub-sector and agriculture.

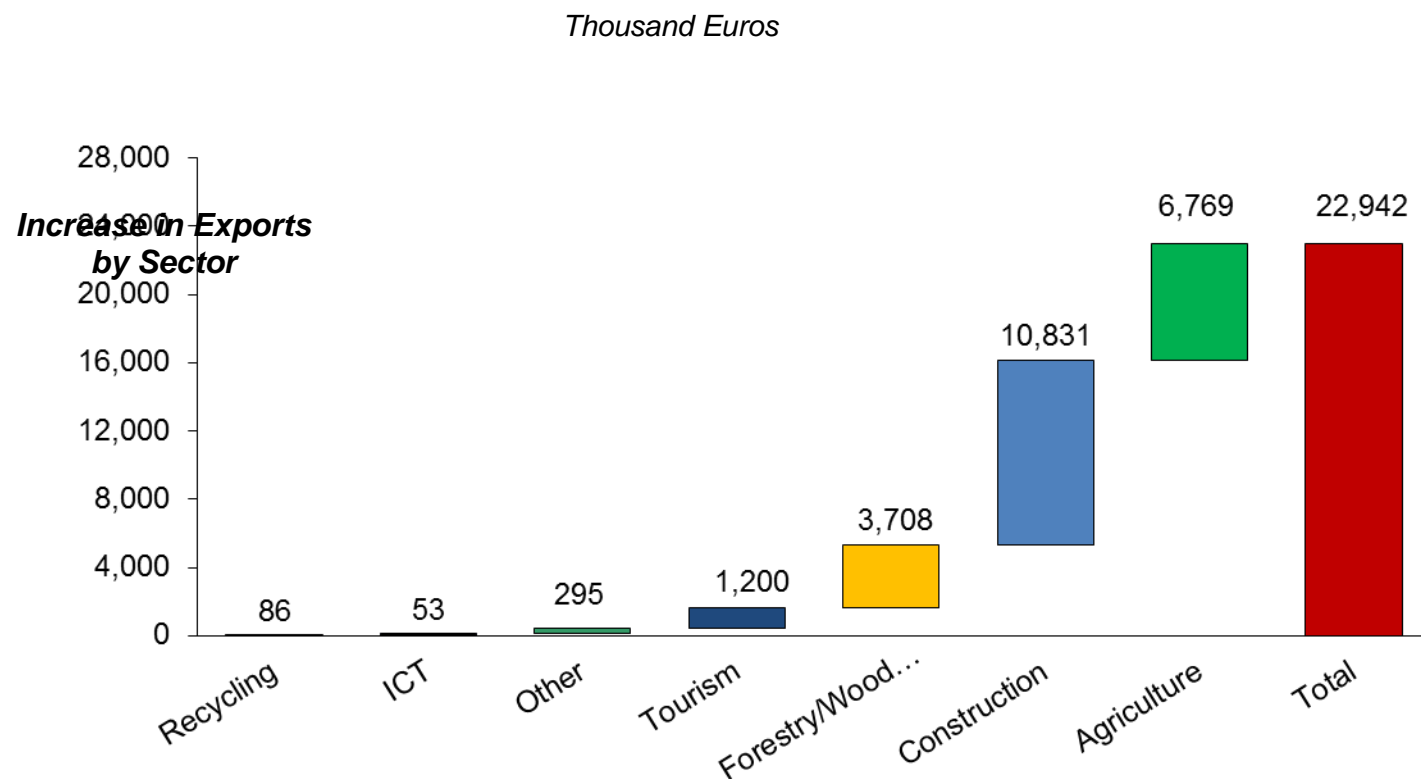
However, the investments made by these companies remained in the sector performance data and still represent the highest investment values. The agriculture sector increased its share to 37.7 percent, while the forestry and wood processing sector contributed to an increase in investments of 13.9 percent. The share held by other sectors is not significant.

Below is the list of main contributors to the increase in investments:

Company name	Sector	Euro increase in investment
Eskavatori	Road Construction	2,149,337
Lin Projekt	Construction Materials	1,700,000
Renelual Tahiri	Construction Materials	1,670,832
Devolli	Dairy	1,400,000
Papenburg & Adriani	Road Construction	1,375,431
Fitorja	Construction Materials	1,338,000
Tefik Çanga Design	Wood Processing	1,067,000
Lesna	Wood Processing	1,039,288
Graniti	Road Construction	1,007,501
Pestova	Fruits and vegetables	984,031
Rugove	Dairy	800,000
KAG Asphalt	Road Construction	798,000
Euroлона	Dairy	620,160
Agroprodukt Syne	Non-wood forest products	572,421
Hit Flores	Non-wood forest products	562,500
Bejta Commerce	Road Construction	548,833
Etlinger	Fruits and vegetables	506,000

In total, 106 of 126 KPEP-supported client enterprises in Component One made investments since project inception.

3. Exports



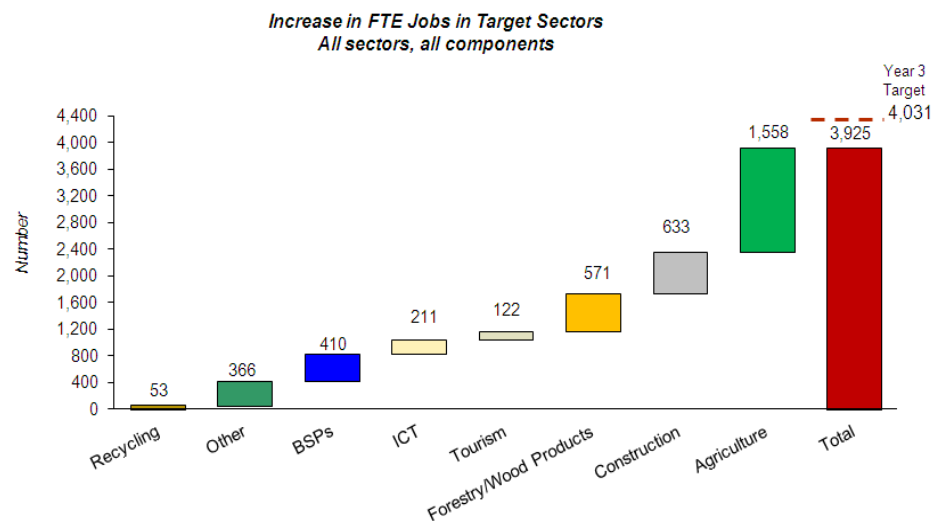
The increase in exports to date for the LOP is 22.9 million Euros. There was a significant revision in the baseline of exports in the agriculture sector, mainly in the NWFP sub-sector. The baseline data on exports originally received from the clients indicated just a small portion of their products were exported. However, considering the fact that almost 100% of NWFP are exported, KPEP revisited the baseline of the companies. During meetings with the clients, it was clear that in fact approximately 90% of their sales were exports. Therefore, KPEP revised the baseline for these companies and as a result, the increase in exports at the end of this quarter is smaller when compared to the previous quarter. Below is a list of the main exporters that are KPEP beneficiaries/client enterprises.

Company name	Sub-sector	Euro increase in Exports
Eurokos	Road Construction	6,498,559
KAG Asphalt	Road Construction	3,892,911
Lesna	Wood Processing	3,536,438
Pestova	Fruits and vegetables	2,430,284
Hit – Flores	Non-wood forest products	1,252,245
Devolli	Dairy	808,987
Agroalbi	Fruits and vegetables	677,100
Etlinger	Fruits and vegetables	676,000
As-Promet	Non-wood forest products	669,515
Eurofood	Fruits and vegetables	542,345
Fibula Travel	Tourism	338,710
Hotel Prishtina	Tourism	319,495
Kosovatex	Other	294,785
Bylmeti	Dairy	292,261
Ferplast	Construction Materials	213,394

In all, 58 companies have exported products since the start of KPEP. The main contributor to the overall increase in exports remains the construction sector, which accounts for 47.2 percent. The agriculture sector contributed 29.5 percent, the wood and processing sector 16.2 percent, and tourism 5.2 percent. The share contributed by other sectors is negligible.

During the last quarter, the total value of exports of KPEP-supported enterprises in all targeted sectors were 4.3 million Euros, while imports were 9.4 million Euros. This provides for an export/import coverage ratio of 45.7 percent for this quarter alone. The export/import coverage ratio for the LOP is 52.9 percent. During the LOP, exports totaled 33,988,101 Euros while imports were 64,252,331 Euros.

4. Full Time Jobs



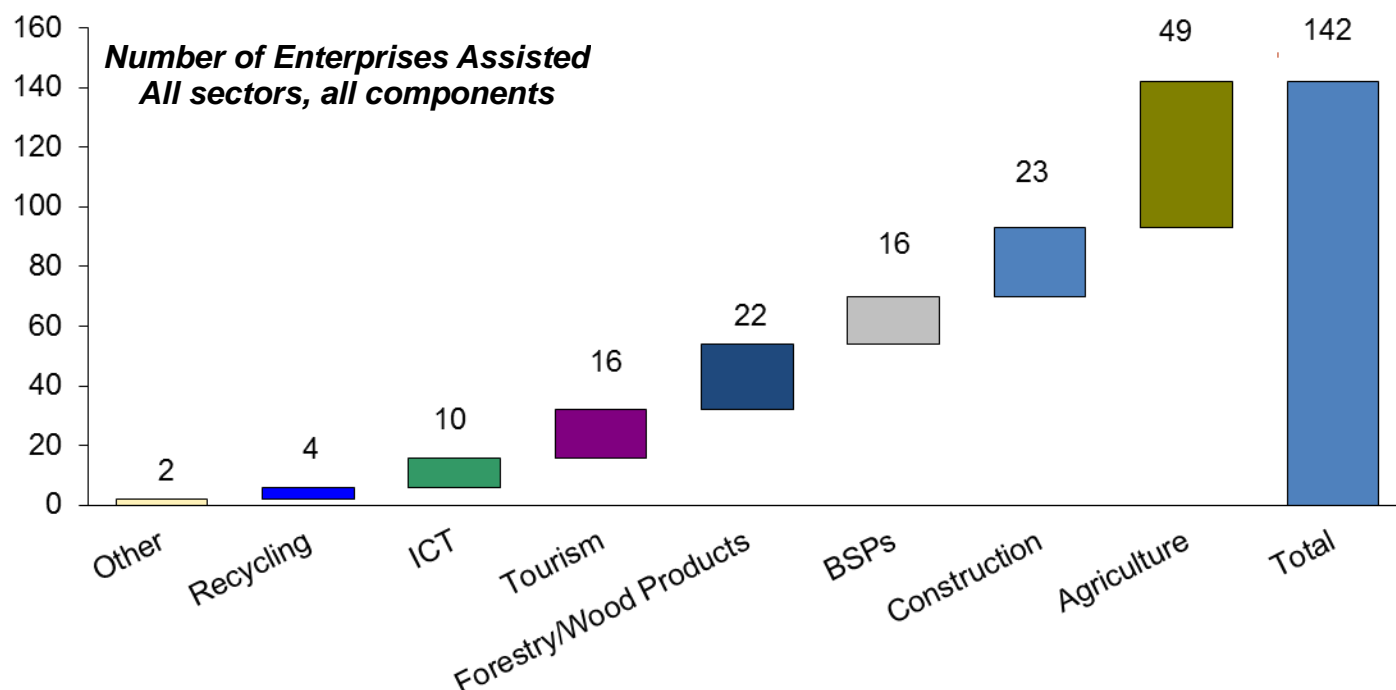
The total LOP increase in FTE jobs is 3,925, of which 3,515 were created in enterprises in Component One and 410 in the business service providers of Component Two. During the last quarter, 702 new FTE jobs were created in enterprises that operate under Component Two sectors, and 300 new FTE jobs in Component Two. The share of the agriculture sector to the LOP increase in FTE jobs is 39.7 percent, construction sector 16.1 percent share, wood processing and forestry 14.6 percent, while other sectors, including the FTE jobs created through KPEP support in the north of Kosovo, contributed 29.6 percent altogether.

Below are the main contributors to the increase in FTE jobs since the beginning of KPEP:

Company name	Sector	Increase in FTE jobs
Kosovatex	Other/Textile	197.25
'North project'	Other/North of Kosovo	168.95
Konsoni	Poultry meat processing	151.08
Lesna	Wood Processing	144.42
Cacctus	ICT	140.23
Pestova	Fruits and vegetables	138.45
Tefik Çanga Design	Wood Processing	114.67
Agroprodukt Syne	Non-wood forest products	112.95
Eurofood	Fruits and vegetables	110.34
Bejta Commerce	Road Construction	108.89
Devolli	Dairy	107.31
Eurokos	Road Construction	104.39
Lin Projekt	Construction Materials	94.10
Etlinger	Fruits and vegetables	87.86
Eskavatori	Road Construction	83.74
Ukaj/Elnor	Wood Processing	79.00
Magic Ice	Dairy	76.38

5. Number of Enterprises Assisted

Thousand Euros



The KPEP client database includes 126 enterprises in Component One and 16 enterprises (BSPs) in Component Two, as of the end of Year 3. These companies have received KPEP assistance and have in turn agreed to share their performance data. (Note that the reach of KPEP reaches much further into the private sector, assisting more than 670 companies overall.) In this quarter, 10 new companies were added to the PBMS system—five in wood processing, two in construction, two in ICT and one food processing company in the northern part of Kosovo. Of the 126 enterprises in Component One, 49 enterprises belong to the agriculture sector, 23 are construction enterprises, and 22 are in the forestry and wood processing sector, 10 are in ICT, 16 enterprises belong to the tourism sector, four to the recycling sector, one is in textiles and one in food processing.

6. Transactional data

During this quarter KPEP recorded the below results from the following events:

- Peje/Pec Tourism Street Fair—Experience Dukagjini Valley. The Municipality of Peje/Pec organized the fair, with KPEP support. The fair was attended by 103 exhibitors. The activity generated 23,080 Euros in sales.
- The KPEP specialist responsible for the recycling sector reported that the Mea and Greentech companies engaged a large number of part-time employees this year. They collected in total 61,778 kilograms per month of recycled material. Converted to man-hours, the total is 46,880 working hours. This figure was not captured before and it is included in this report for the first time.

7. PBMS Methodology

The Performance Based Management System (PBMS) monitors progress against program targets, facilitates reporting of the results attributable to KPEP efforts and provides data for reporting to USAID. It identifies successful enterprise, sector and industry clients, interventions and consultants and allows the team to compare projected results to actual results on a monthly, quarterly, semi-annual and annual basis. The baseline and targets are set for all indicators for the life of the project (LOP).

- **Data collection**

KPEP specialists worked with client enterprises to establish the baseline data. Initial baseline data are recorded for the period just prior to the implementation of those activities that contribute to the achievement of results, enabling comparison when measuring progress toward a specific result or objective. The baseline provides a snapshot of a performance indicator as a point of reference.

For enterprises, the baseline includes jobs, sales, production, investments, foreign direct investment and partnerships data. KPEP specialists are responsible for data collection from enterprises. The PBMS specialist reviewed the information received and performed quality control. After that, the PBMS specialist entered the data into the project's database. The reports produced from the access database and Excel spreadsheets are included in the quarterly reports provided to USAID.

- **Quality of the data**

The sector specialists are responsible for the first-level data quality control. The quality checks have been made to ensure that those data collected and included in the database are both accurate and reliable. Every single transaction entered in the database was double checked for accuracy.

- **Data verification**

The PBMS specialist conducts site visits and interviews with representatives from the client enterprises and organizational partners to verify the results that have been reported. In addition to verification of the accuracy and consistency of the results reported, the PBMS specialist also determines whether KPEP interventions contributed to the results and thus may be attributed to the project.

- **Status of the Indicators**

The status of Project Indicators is set out in Annex 1, *Report on Indicators*. This annex gives the status of all indicators from the PMP.

8. Attribution

The KPEP Attribution Process represents a method for assigning results more specifically to KPEP interventions. In the past, KPEP (and KCBS before it) captured the quarterly revenue, investment, and job data from its client partners and reported them exactly as they had been received, regardless of the level of assistance provided to that firm. KPEP will continue to report data in this manner. The KPEP Attribution Process will help capture transaction level data and will assign a percentage of quarterly revenue that KPEP can reasonably be responsible for and accountable for. This process will also help calculate a Return on Investment for Component One work, enabling management to compare results versus cost across sectors. This exercise will add valuable insight into the effectiveness of KPEP's interventions in specific sectors and can inform future investment decisions.

The steps are as follows:

1. Collect transactional data on an ongoing basis from both KPEP and non-KPEP firms.
2. Collect quarterly data from KPEP firms as usual.
3. Subtract transactional data from quarterly data for KPEP client firms.
4. Assign an attribution percentage (based on guidelines below) to the remaining client sales, based on KPEP activities and support. This percentage should be assigned based on activities, regular formal evaluations by the clients as well as informal discussions with the client firms.
5. Meet as a team inclusive of USAID and outside perspectives to debate and defend assigned percentages, come to consensus and consistency across sectors, and discuss problem areas (cases where sales fall relative to the baseline, for example).
6. Report both gross numbers and attributable numbers to USAID.
7. Use attributable numbers to calculate rough ROI for internal management purposes.

Scoring: Each quarter, sector specialists will assign a ranking for each company based on what percentage of the firm's quarterly sales, investment or jobs created for which KPEP can reasonably take credit. Scores will be assigned in quartiles 0, 25, 50, 75, or 100%.

Scoring Criteria	
0%	No support was given to the firm in this quarter (includes technical assistance, grants, training, or any activities listed above)
25%	1 medium level activity, or 1-2 low impact activities performed with the client firm having a result on sales, investment or jobs
50%	1 to 2 high level impact activity or 3 or more medium level impact activities (or a combination of low, medium, and high level impact activities)
75%	3 or more high level impact activities (or a combination of activities that includes 2 or more high level and 3 or more medium level activities)
100%	An intensive combination of all levels of activities with a single firm. A 100% ranking should be reserved for only those firms who have received extensive support throughout the reporting period.

Scoring Guidelines: A list of generic activities with low, medium, and high level impact rankings with respect to sales, investment, and job creation for client firms. These activities are to be viewed as guidelines and sector specialists may describe other activities not categorized below in supporting the ranking they assign a client firm.

High Impact	Medium Impact	Low Impact
<ul style="list-style-type: none"> • Buyer meetings/introductions • Buyer—seller negotiations • New product development • Investor materials/presentations • Internships • Agriculture aggregation • Transport and logistics • Other—describe 	<ul style="list-style-type: none"> • Marketing campaigns • Marketing support • Packaging and branding support • Market research • Advisory services • Study tours • Partnership facilitation • Storage facility construction • Management support • Training • Agronomy/productivity support • Certification training • Certification preparation support • Standards preparation • Other—describe 	<ul style="list-style-type: none"> • Trade fairs • Conferences • Agriculture demonstration plots • Feasibility studies • National strategies • Export plans • Other—describe

Following are the results on the attribution regarding four main indicators: sales, jobs, exports and investment.

1. KPEP attribution on sales

1.1. Total KPEP

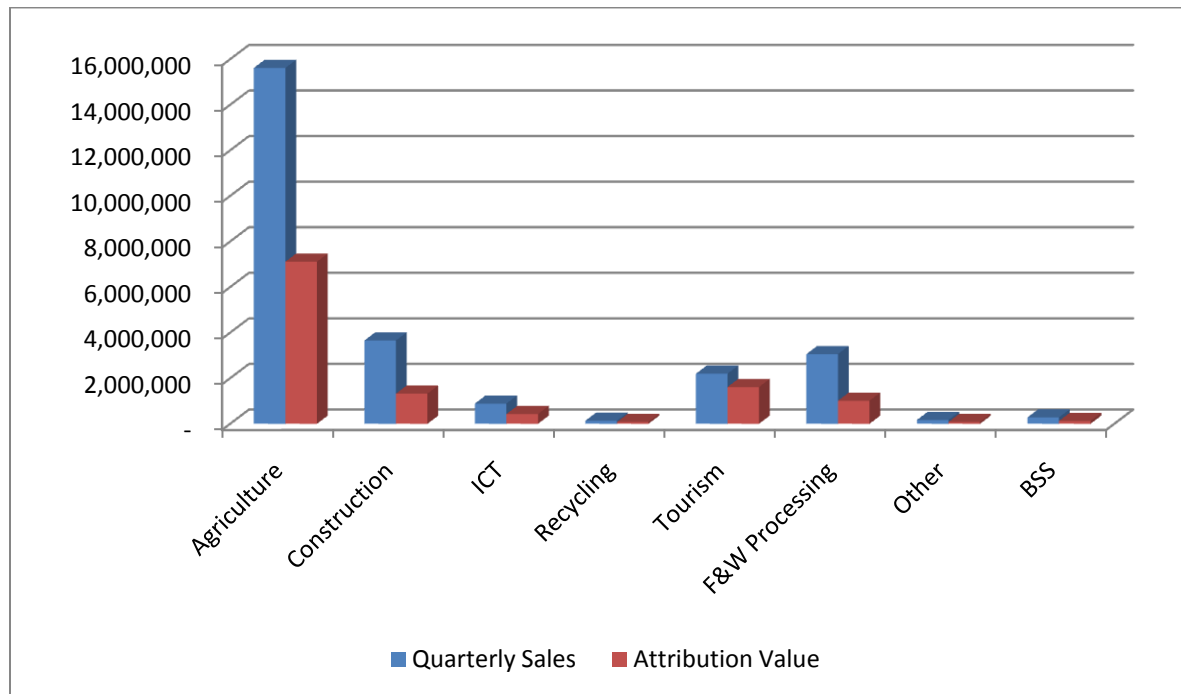
Total Quarterly Sales KPEP Firms	€ 25,987,665
Total KPEP Attributable Sales	€ 11,763,319
Attribution % for the quarter	45.3%
Total Quarterly Sales Non-KPEP Firms	€ 0
Total Non-KPEP Attributable Sales	€ 0
Attribution % for the quarter	0%
Total Sales	€ 25,987,665
Total KPEP Attributable Sales	€ 11,763,319
Total Quarter Attribution %	45.3%

By sub-sector

Sector	Sub-sector	Net quarterly data in Euros	KPEP attribution in Euros	% Attribution
Agriculture		15,618,040	7,111,168	45.5%
	Dairy	6,244,689	3,020,780	48.4%
	Fruits and vegetables	7,612,065	3,511,020	46.1%
	NWFP	1,543,563	470,507	30.5%
	Poultry meat processing	217,723	108,862	50.0%
Construction		3,652,596	1,321,889	36.2%
	Const. Materials	3,652,596	1,321,889	36.2%
	Road Construction	-	-	0%
ICT		885,172	427,707	48.3%
	ICT	885,172	427,707	48.3%
Recycling		133,422	76,512	57.3%
	Recycling	133,422	76,512	57.3%
Tourism		2,195,670	1,612,231	73.4%
	Tourism	2,195,670	1,612,231	73.4%
Forestry and Wood Processing		3,057,238	1,009,884	33.0%
	Wood Processing	2,835,200	954,374	33.7%
	Forestry	222,038	55,510	25.0%
Other		167,397	79,949	47.8%
	Other	167,397	79,949	47.8%
BSS		278,130	123,980	44.6%
	BSS	278,130	123,980	44.6%
Grand Total		25,987,665	11,763,319	45.3%

Of the total value of sales of 25,987,665 Euros, KPEP's attribution is 11,763,319 Euros, or 45.3% of the total quarterly sales of KPEP clients.

Below is a graphic presentation of the attribution of sales per sector:



2. KPEP attribution on exports

2.1. Total KPEP

Total Quarterly Exports KPEP Firms	€ 4,313,790
Total KPEP Attributable Exports	€ 2,009,186
Attribution % for the quarter	46.6%
Total Quarterly Exports Non-KPEP Firms	€ 0
Total Non-KPEP Attributable Exports	€ 0
Attribution % for the quarter	0%
Total Exports	€ 4,313,790
Total KPEP Attributable Exports	€ 2,009,186
Total Quarter Attribution %	46.6%

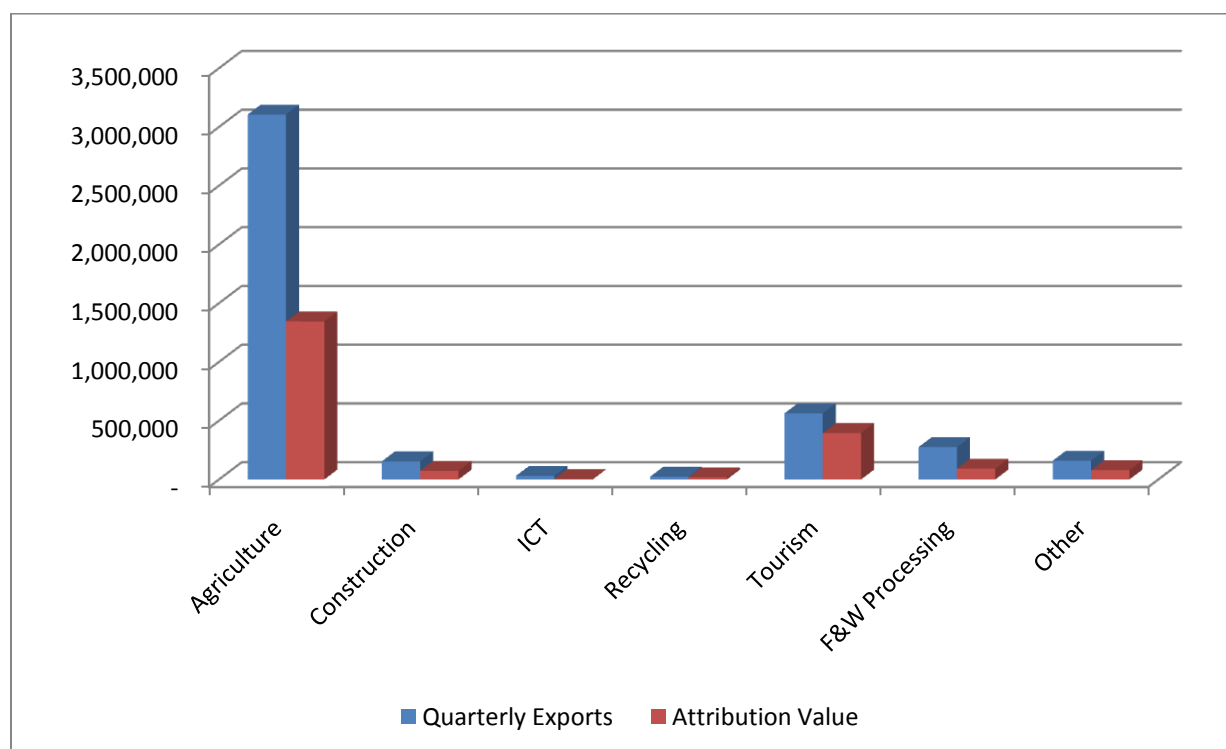
2.2. By sub-sector

Sector	Sub-sector	Net quarterly data in Euros	KPEP attribution in Euros	% Attribution
Agriculture		3,106,150	1,345,225	43.3%
	Dairy	118,058	59,029	50.0%
	Fruits and vegetables	868,829	501,415	57.7%
	NWFP	2,119,263	784,782	37.0%
	Poultry meat processing	0	0	0.0%
Construction		154,436	74,287	48.1%
	Const. Materials	154,436	74,287	48.1%
	Road Construction	0	0	
ICT		31,272	3,886	12.4%
	ICT	31,272	3,886	12.4%
Recycling		24,215	18,161	75.0%
	Recycling	24,215	18,161	75.0%

Sector	Sub-sector	Net quarterly data in Euros	KPEP attribution in Euros	% Attribution
Tourism		562,194	395,630	70.4%
	Tourism	562,194	395,630	70.4%
Forestry & Wood Processing		275,627	92,049	33.4%
	Wood Processing	275,627	92,049	33.4%
	Forestry	0	0	0.0%
Other		159,896	79,948	50.0%
	Other	159,896	79,948	50.0%
Grand Total		4,313,790	2,009,186	46.6%

Of the total value of exports of 4,313,790 Euros, KPEP's attribution is 2,009,186 Euros, or 46.6% of the total quarterly export sales of KPEP's clients.

Below is a graphic presentation of the attribution of exports per sector:



3. KPEP attribution on investment

3.1. Total KPEP

Total Quarterly Investments KPEP Firms	€ 4,933,703
Total KPEP Attributable Investments	€ 2,520,021
Attribution % for the quarter	51.1%
Total Quarterly Investments Non-KPEP Firms	€ 0
Total Non-KPEP Attributable Investments	€ 0
Attribution % for the quarter	0%
Total Investments	€ 4,933,703
Total KPEP Attributable Investments	€ 2,520,021
Total Quarter Attribution %	51.1%

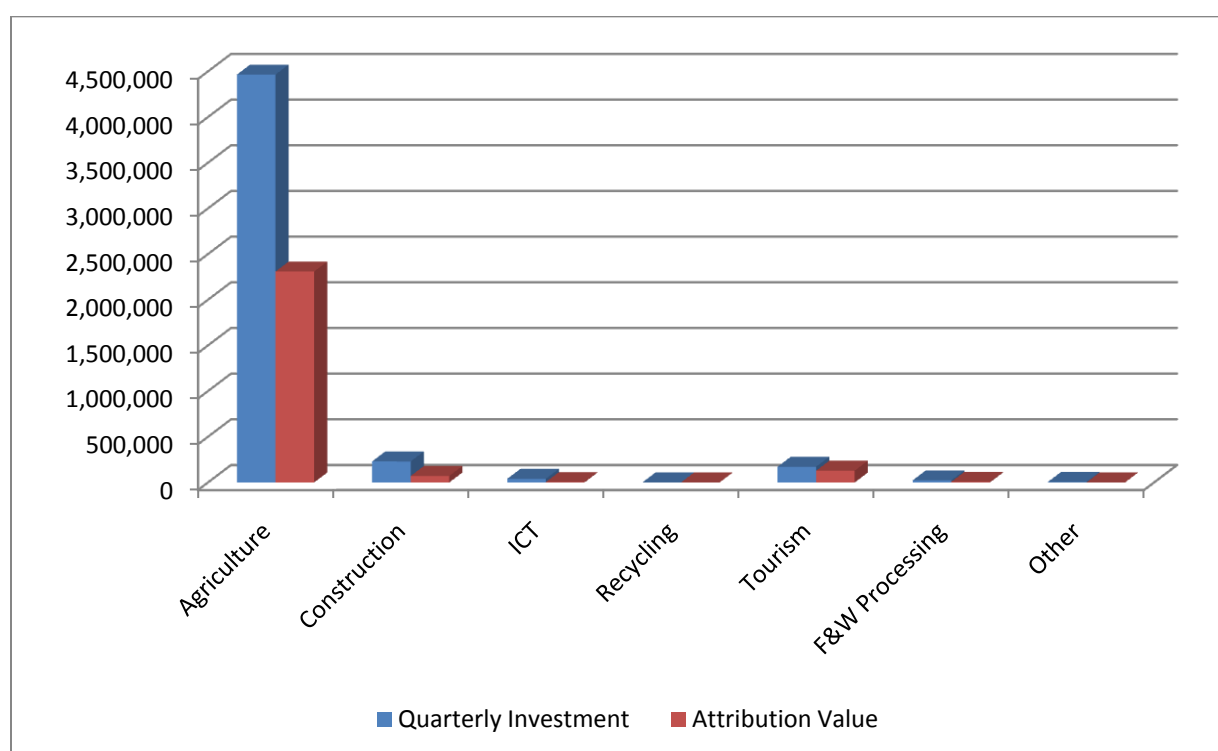
3.2. By sub-sector

Sector	Sub-sector	Net quarterly data in Euros	KPEP attribution in Euros	% Attribution
Agriculture	Dairy	2,665,790	1,332,895	50%
	Fruits and vegetables	957,786	538,081	56%
	NWFP	537,921	286,191	53%
	Poultry meat processing	303,500	151,750	50%
Agriculture Total		4,464,997	2,308,916	0%
Construction	Construction Materials	229,909	70,869	
	Road Construction	0	0	0%
Construction Total		229,909	70,869	31%
ICT	ICT	39,447	4,724	
ICT Total		39,447	4,724	
Recycling	Recycling	0	0	0%
Recycling Total		0	0	0%
Tourism	Tourism	171,350	128,513	

Sector	Sub-sector	Net quarterly data in Euros	KPEP attribution in Euros	% Attribution
Tourism Total		171,350	128,513	75%
Other	Other	5,000	0	0%
Other Total		5,000	0	
Forestry and Wood Processing	Wood Processing	5,000	2,500	50%
	Forestry	18,000	4,500	25%
Forestry and Wood Processing Total		23,000	7,000	
Grand Total		4,933,703	2,520,021	51.1%

Of the total 4,933,703 Euros in investments, KPEP's attribution is 2,520,021 Euros, or 51.1% of the total quarterly investments made by KPEP clients.

Below is a graphic presentation of the attribution of investments per sector:



4. KPEP attribution on employment

4.1. Total KPEP

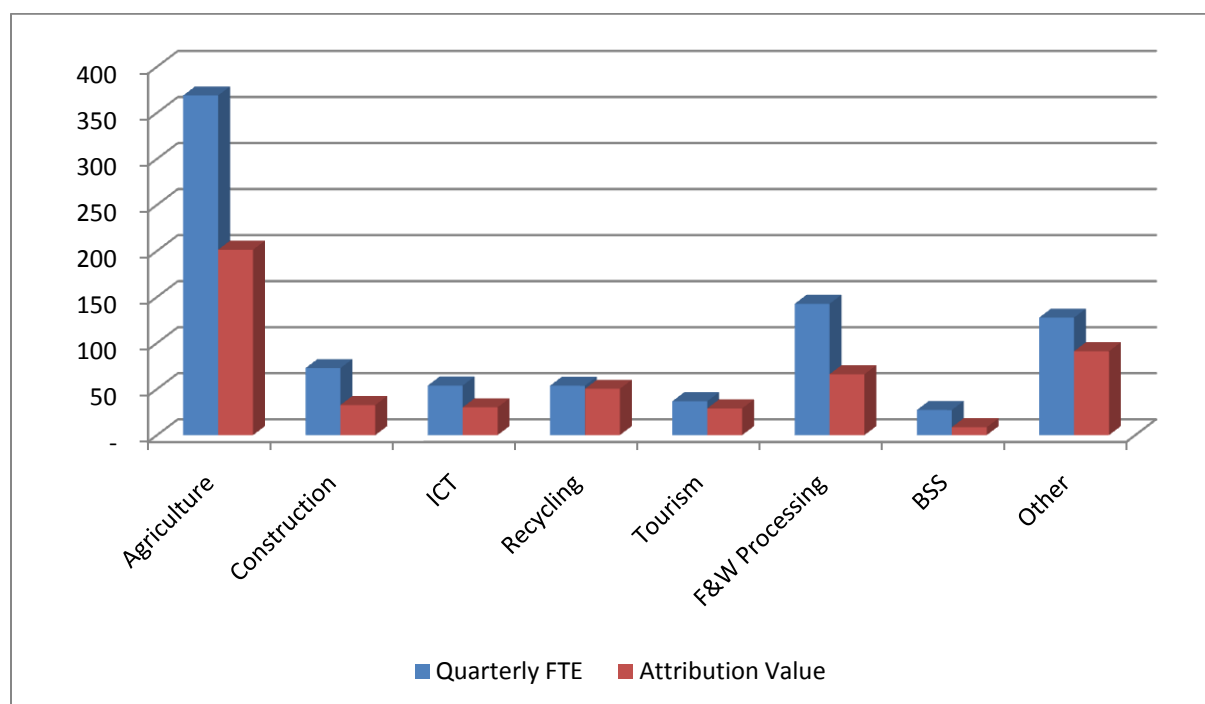
Total Quarterly FTE KPEP Firms	883.1
Total KPEP Attributable FTE	509.2
Attribution % for the quarter	57.7%
Total Quarterly FTE Non-KPEP Firms	0
Total Non-KPEP Attributable FTE	0
Attribution % for the quarter	0%
Total FTE	883.1
Total KPEP Attributable FTE	509.2
Total Quarter Attribution %	57.7%

4.2. By sub-sector

Sector	Sub-sector	Net quarterly data	KPEP attribution	% Attribution
Agriculture	Dairy	80.1	41.8	52.1%
	Fruits and vegetables	243.9	135.5	55.5%
	NWFP	27.5	15.4	56.1%
	Poultry meat processing	17.3	8.7	50.0%
Agriculture Total		368.8	201.3	54.6%
Construction	Construction Materials	55.7	15.7	28.1%
	Road Construction	17.0	17.0	100.0%
Construction Total		72.7	32.7	44.9%
ICT	ICT	53.8	30.2	56.1%
ICT Total		53.8	30.2	56.1%

Sector	Sub-sector	Net quarterly data	KPEP attribution	% Attribution
Recycling	Recycling	53.6	50.2	93.7%
Recycling Total		53.6	50.2	93.7%
Tourism	Tourism	36.7	29.0	79.0%
Tourism Total		36.7	29.0	79.0%
Other	Other	127.6	91.1	71.4%
Other Total		127.6	91.1	71.4%
For & Wood proc.	Wood Processing	129.1	62.7	48.6%
	Forestry	13.5	3.4	25.0%
Forestry and Wood Processing Total		142.5	66.1	46.4%
BSS	BSS	27.3	8.6	31.4%
BSS Total		27.3	8.6	31.4%
Grand Total		883.0	509.0	57.7%

Of the 883 FTE jobs created by KPEP clients during this quarter, KPEP's attribution is 509 FTE jobs, or 57.7%.



Multipliers

Using multipliers to estimate total economic impact or the employment impact of direct sales and growth of a particular industry is a common economic tool. There are numerous methodologies and academic studies used to develop, calculate and detail multipliers for particular sectors in specific economies. However, the process for developing a multiplier for specific sectors in Kosovo would be potentially costly and the data may not be available or accurate. Instead, KPEP collected multipliers on project sectors from a wide range of sources and extrapolated multipliers available on an anecdotal basis.

One important tool widely used to evaluate economic development impacts is the *economic impact analysis*. Economic impact analyses measure the potential impact of economic decisions by business, government, and consumers on an economy.

An economic impact analysis is based on the concept of the *multiplier*. The multiplier is the relationship between some change in an economy and the economic activity that then occurs as a result of that change. Consider a furniture manufacturer setting up a factory in a new location in Kosovo. Initial projections of the impact of the new plant would likely include estimates of the number of new jobs and the income earned by the newly hired workers. This is called the *direct effect*, which is an initial change in the economy.

There are other effects as well. The new plant will need goods and services supplied by other local businesses, including, say, paint, hardware and transportation. These purchases generate new jobs and income in those allied industries. These spinoff activities are referred to as *indirect effects*. In addition, the new workers in the parts plant and the employees in the supporting industries spend a portion of their income locally to meet household needs, and this spending creates new jobs and income. The jobs and spending created as a result of these activities are called the *induced effect*.

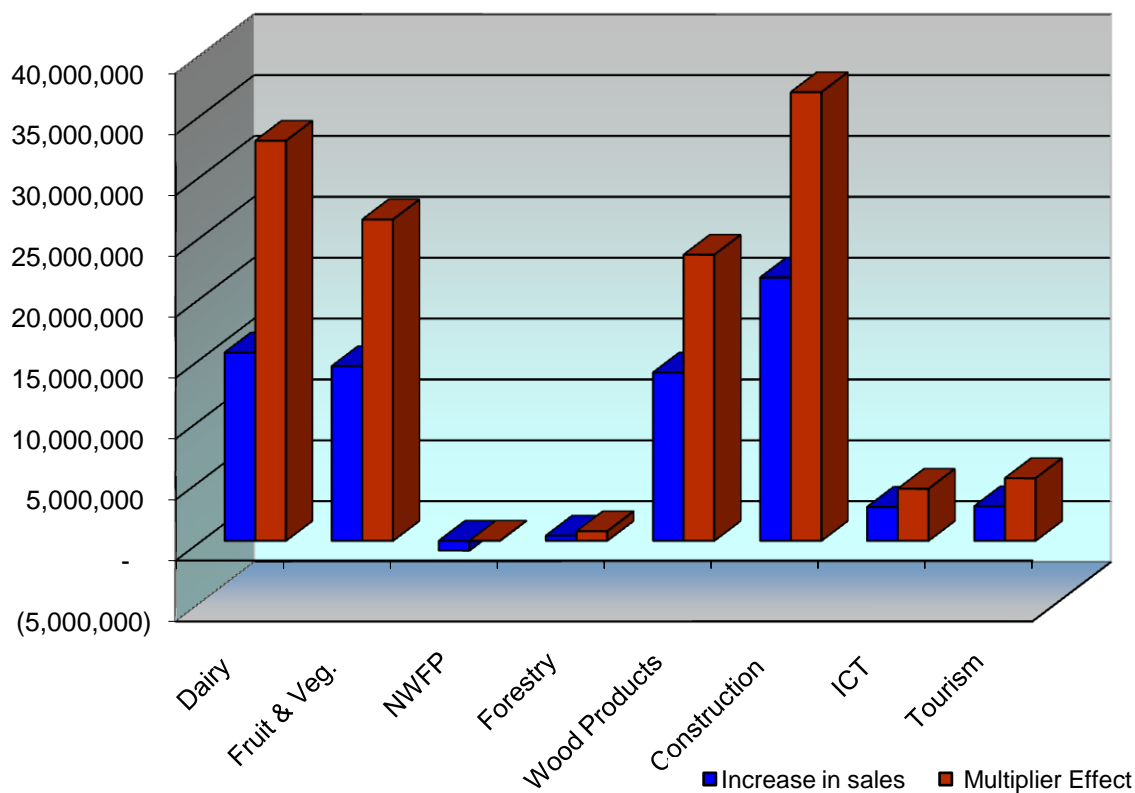
The sum of the direct, indirect, and induced effects is the *total effect*. The process of job creation and income generation continues so long as some portion of spending remains local. The multiplier is an estimate of how much additional economic activity will result from some new investment in an economy. "Multiplier" is an appropriate term, because the original investment is "multiplied" by the multiplier to obtain the total economic impact

KPEP developed the average multipliers for each KPEP sector. Minor sub-sectors, such as metal processing and poultry meat processing, are not included in the calculation.

Sector	Economic Impact	Employment
Dairy	2.13	1.84
Fruit and Vegetable	1.84	1.96
Non-Wood Forest Products	1.90	1.58
Forestry	1.84	1.89
Wood Products	1.70	1.66
Construction	1.70	1.84
ICT	1.54	1.57
Tourism	1.81	1.39

1. Economic Impact

Sector	Euro increase in sales	Economic Impact	Euro Multiplier Effect
Dairy	15,460,442	2.13	32,853,439
Fruit & Vegetables	14,343,299	1.84	26,391,670
NWFP	(801,406)	1.90	-
Forestry	424,258	1.84	780,635
Wood Products	13,820,922	1.70	23,495,567
Construction	21,618,915	1.70	36,844,808
ICT	2,782,262	1.54	4,270,772
Tourism	2,839,408	1.81	5,139,328
TOTAL	70,488,100		129,776,220

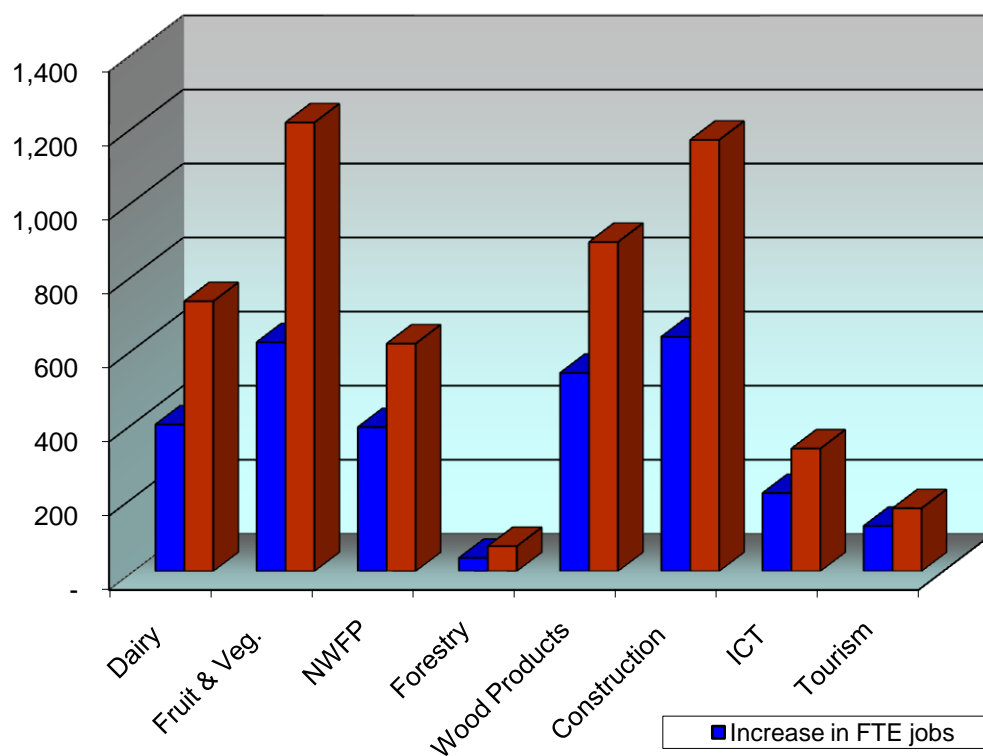


The multiplier effect for the total increase in sales for the LOP of 70,488,100 Euros is 129,776,220 Euros. On average, each 1 Euro increase in sales generates another 1.84 Euros all the way through the value chain of KPEP-targeted sectors.

If KPEP uses these data and compares them with the LOP target for sales, 50 million Euros, the project has already exceeded this target, even though the project does not have multipliers for all sectors.

2. Employment

Sector	Increase in FTE jobs	Employment	Multiplier Effect
Dairy	396.18	1.84	728.97
Fruit & Vegetables	618.40	1.96	1,212.05
NWFP	389.05	1.58	614.70
Forestry	35.74	1.89	67.55
Wood Products	535.63	1.66	889.15
Construction	633.14	1.84	1,164.98
ICT	211.00	1.57	331.26
Tourism	122.29	1.39	169.98
TOTAL	2,941.43		5,178.65



The multiplier effect for the total increase in employment for the LOP of 2,941.43 FTE jobs is 5,178.65 FTE jobs. In average, for every one new FTE job, another 1.76 FTE jobs have been generated all the way through the value chain of KPEP-targeted sectors.

If KPEP uses these data and compares them with the LOP target on FTE jobs, 3,500 new FTE jobs at the end of Year 3, KPEP has exceeded this target, although the project does not have multipliers for all sectors.

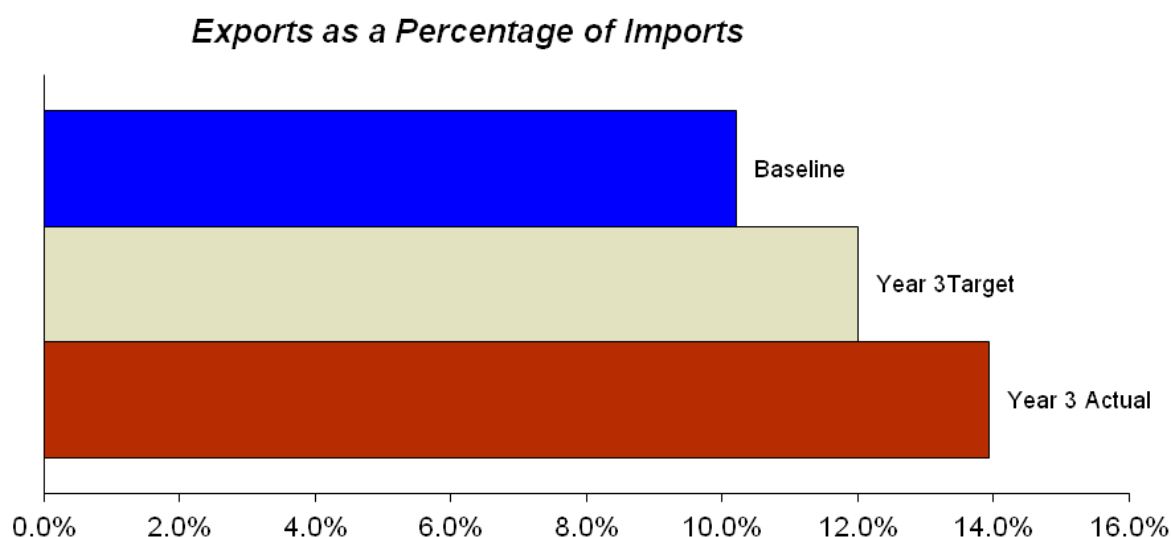
Annex 1. Report on Indicators

IR.1.3 (1) Accelerated Growth of Private Sector

Indicator: Exports as a Percentage of Imports – Kosovo Wide

Definition of the indicator: The total value of exports divided by the total value of imports, by sector.

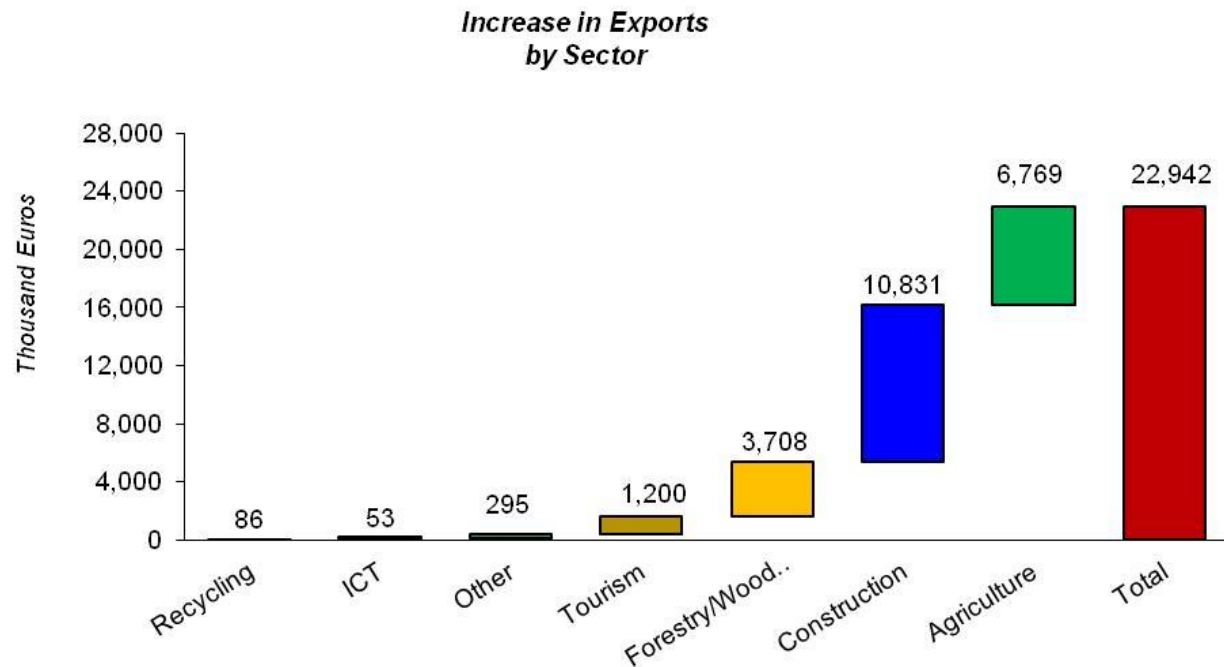
Data Source: Data were received from the Statistical Office of Kosovo (SOK).



Annual Results: This report contains the most recent available data, covering the period from October 2010 to August 2011. The value of exports for this period was 297.61 million Euros, while imports were 2,136.98 million Euros, which represents 13.93 percent export/import coverage. During CY 2011, for the January–August period, Kosovo exported goods valued at 217.9 million Euros, and imported 1,545.18 million Euros in goods, which provides for annual exports/imports coverage of 14.10%.

The data collected from KPEP client enterprises indicate that exports to date were 33,988,101 Euros while imports were 64,252,331 Euros. This provides for a coverage ratio of 52.9%.

Comparing to the baseline export data of KPEP clients, there was an increase of 22.9 million Euros for the LOP. The graph below shows the increase in exports by KPEP targeted sectors.

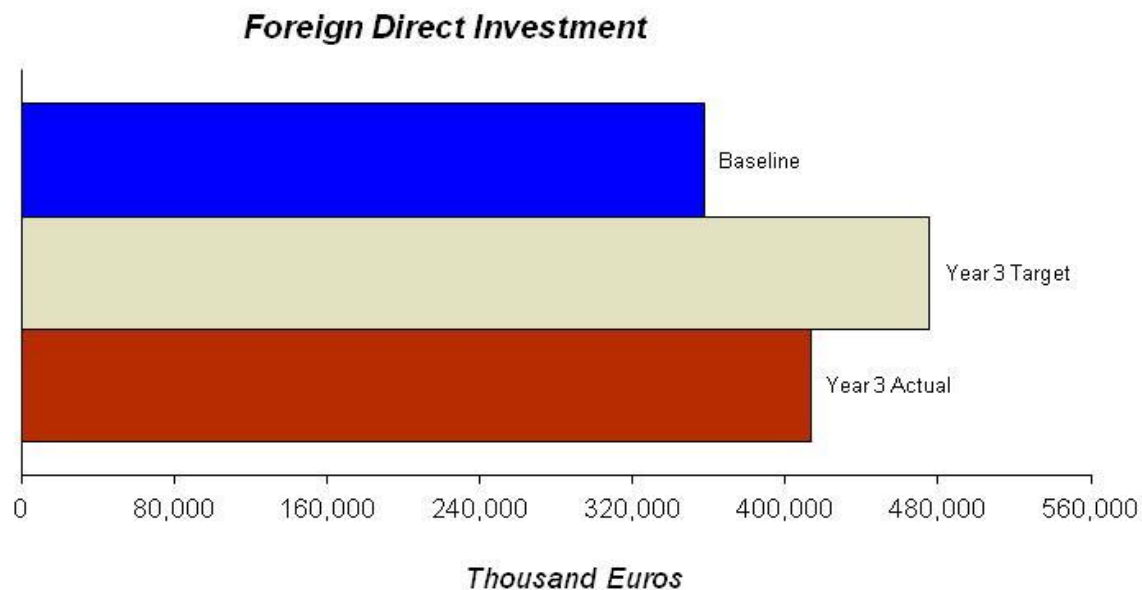


IR.1.3 (2) Accelerated Growth of Private Sector

Indicator: Foreign Direct Investment – Kosovo Wide

Definition of the indicator: Value of foreign private investment. Enterprise investment is defined as spending related to operational capital, technology, land and infrastructure.

Data Source: Baseline data were received from the Central Bank of the Republic of Kosovo.



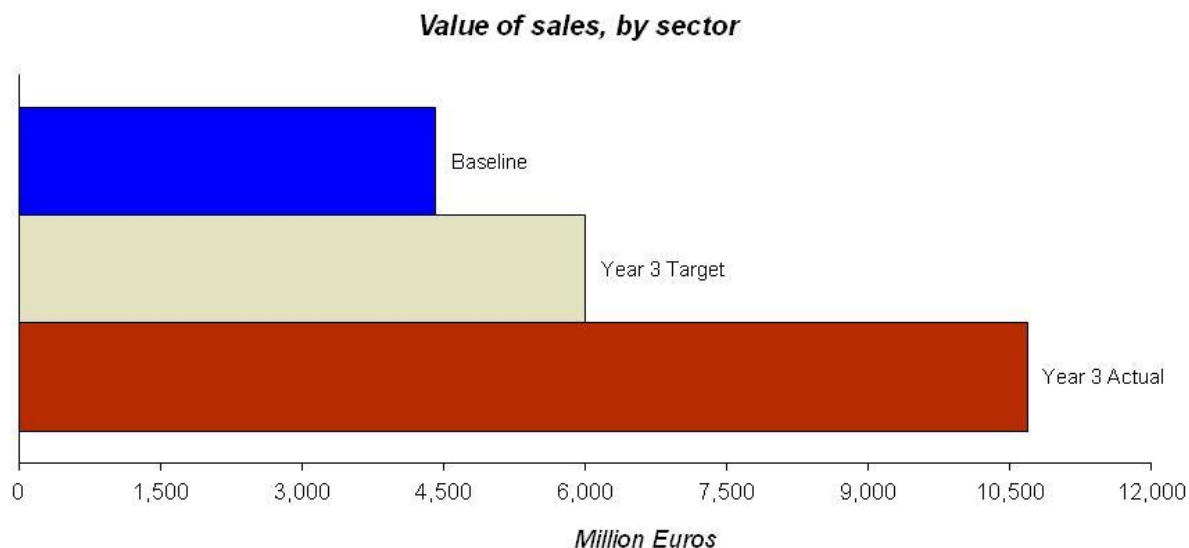
Annual Results: The information provided by the Central Bank of Kosovo and the World Bank Foreign Direct Investment in Kosovo for year 2010 (the most recent available data) indicate that there were in total 413.4 million Euros of foreign investment.

IR.1.3 (3) Accelerated Growth of Private Sector

Indicator: Value of sales, by sector – Kosovo Wide

Definition of the indicator: Value of goods and services sold during the year measured as gross business sales.

Data Source: The Tax Administration of Kosovo provided the data for this indicator.



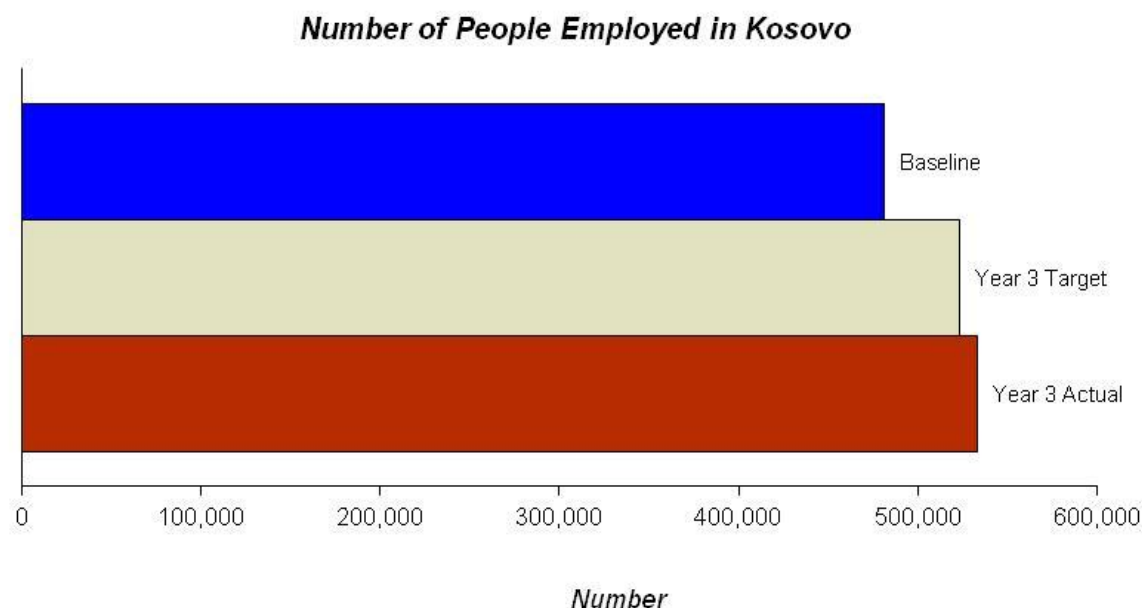
Annual Results. The baseline includes the data for the period January-December 2008. KPEP has collected data covering the period October 2010-September 2011. The cumulative data for this period show 10,687.2 million Euros in sales made all enterprises in Kosovo. The Tax Administration of Kosovo separates enterprises in Kosovo by different categories: by size, whether small or large enterprises; and by legal status, whether individual businesses, partnerships or corporations.

IR.1.3 (4) Accelerated Growth of Private Sector

Indicator: Number of people employed, by sector – Kosovo Wide

Definition of the indicator: Number of people employed, disaggregated by sector.

Data Source: The baseline data for this indicator were collected from the Macroeconomic Department of MEF. The quarterly data were collected from the Department for Labor and Employment (DLE) of the Ministry of Labor and Social Welfare (MLSW).



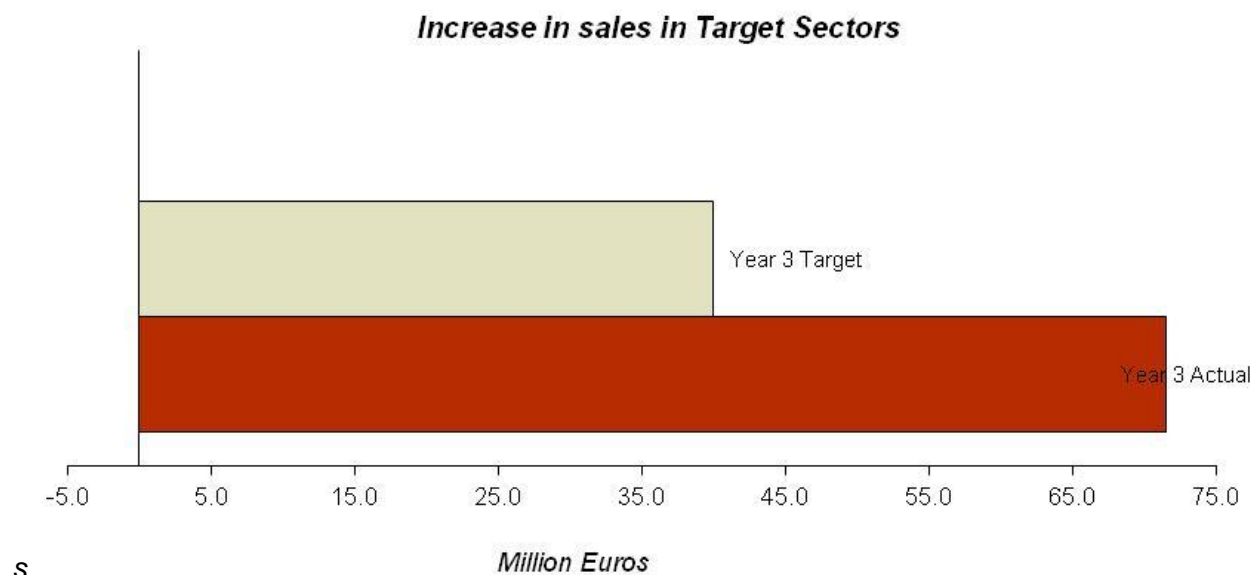
Annual Results. The data received from DLE of MLSW regarding employment are as of August 2011 (report “Information on Labor Market in Kosovo,” August 2011). The two main categories in this report are entries and exits. According to the DLE’s explanation in the report, by ‘entries’ it means ‘new people who register as unemployed,’ while by ‘exits’ it means ‘people who left unemployment bureau and eventually were employed.’ Using this methodology, KPEP can conclude that there are currently 532,745 people employed. During the period October 2010 to August 2011, the number of exits (people newly employed) was 15,151. During the last quarter alone (note the data are actually for July and August only), the number of exits (people newly employed) was 2,677, while the number of new entrants (new unemployed people) was 2,472.

IR.1.3.1 (1) Increased Competitiveness of Key Sectors

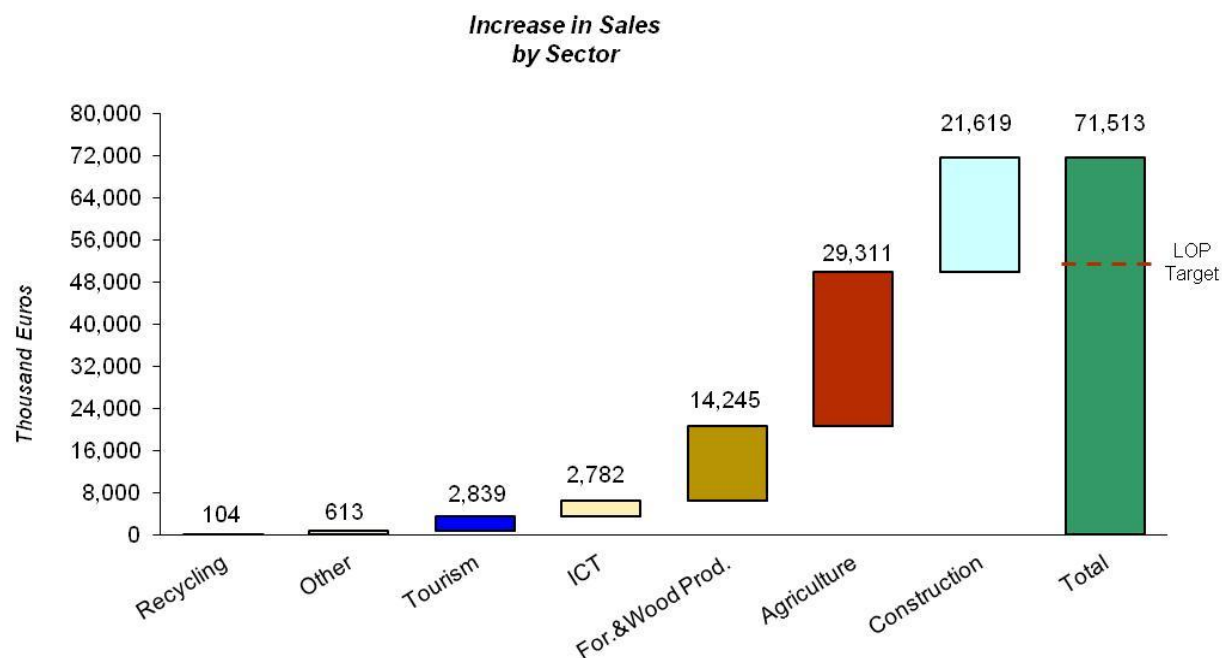
Indicator: Increase in Sales in Target Sectors

Definition of the indicator: The value of goods and services sold during the year is measured as gross business sales. It is an aggregate of all business sales related to the sector over a given period. This is measured for enterprises that receive KPEP support directly, through SAF or from specific transactions supported by KPEP.

Data Source: Data received from sector specialists.



Annual Results. The annualized baseline value of sales is 158,367,019 Euros, which represents the baseline sales data for 126 companies. The cumulative target for Year 3 is an increase of sales of 40,000,000 Euros. Cumulative increase to date is 71,513,204 Euros, which means that KPEP already exceeded not only its Year 3 target, but also the LOP target of 50,000,000 Euros. The main contributors to the LOP increase are construction, agriculture, and forestry and wood processing sectors, as shown in the graph below:

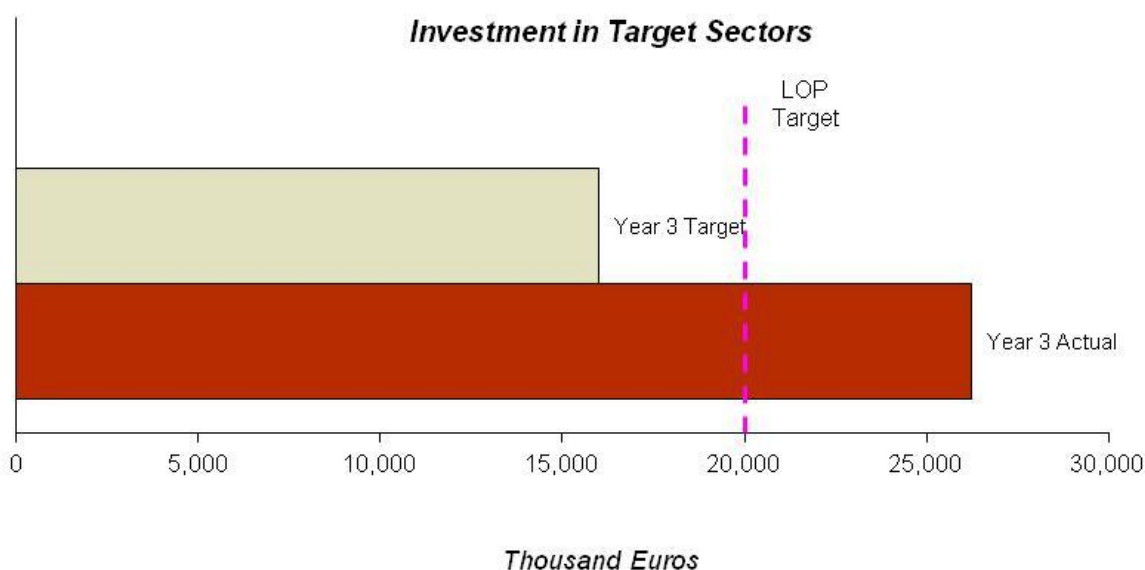


IR.1.3.1 (2) Increased Competitiveness of Key Sectors

Indicator: Increase in investments in target sectors

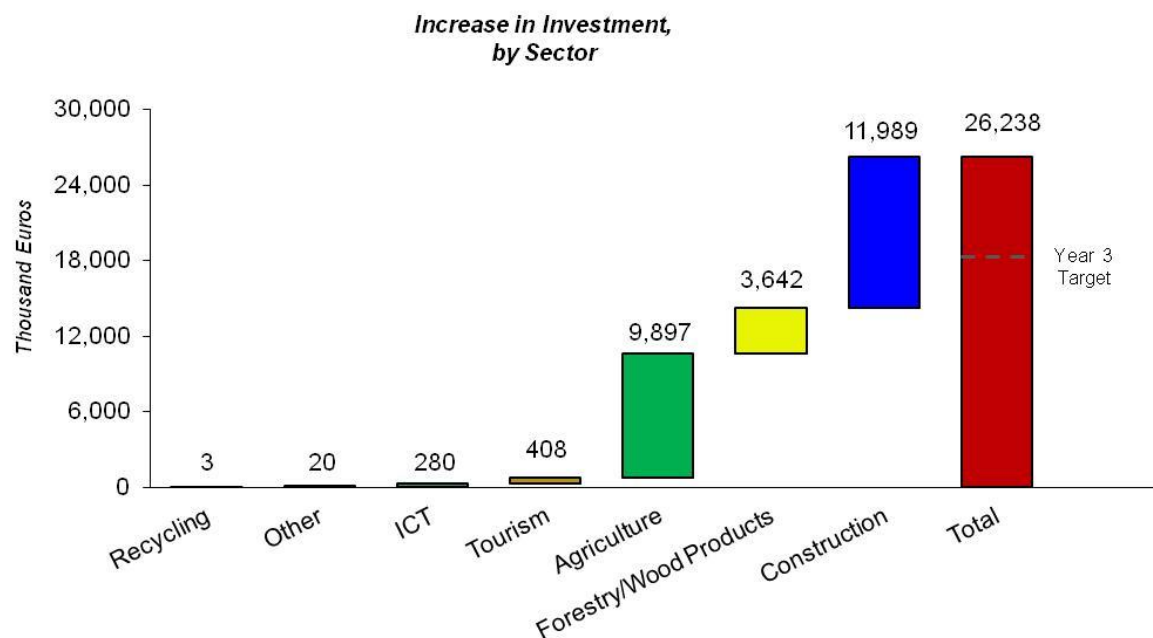
Definition of the indicator: Value of capital investments disaggregated by target enterprise, micro enterprise and by sector.

Data Source: Data received from sector specialists.



Annual Results. The cumulative value of investments to date is 26,237,767 Euros. Since the baseline figure was set at zero, the total value of investments in fact represents the total increase in investments. The cumulative target for Year 3 is an increase in investments of 16,000,000 Euros, the target that is already exceeded. In fact, during this year we exceeded the LOP target for investment, which was set at a 20 million Euro increase.

The main contributor to the LOP increase is still the construction sector, followed by forestry and wood processing and agriculture sector.



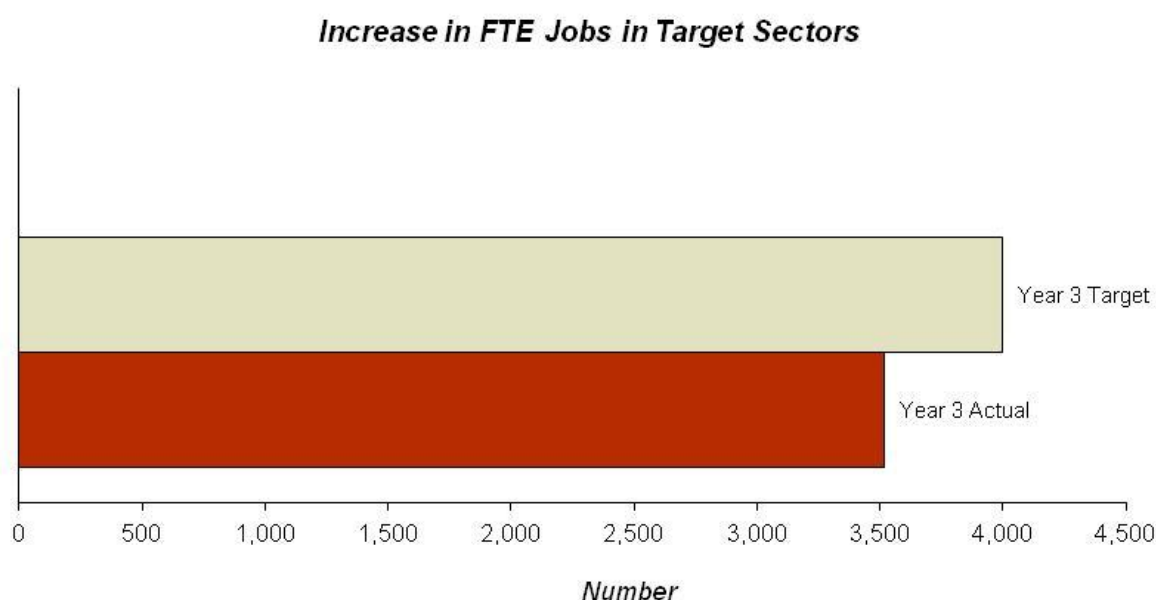
IR.1.3.1 (3) Increased Competitiveness of Key Sectors

Indicator: Increase in jobs created in target sectors

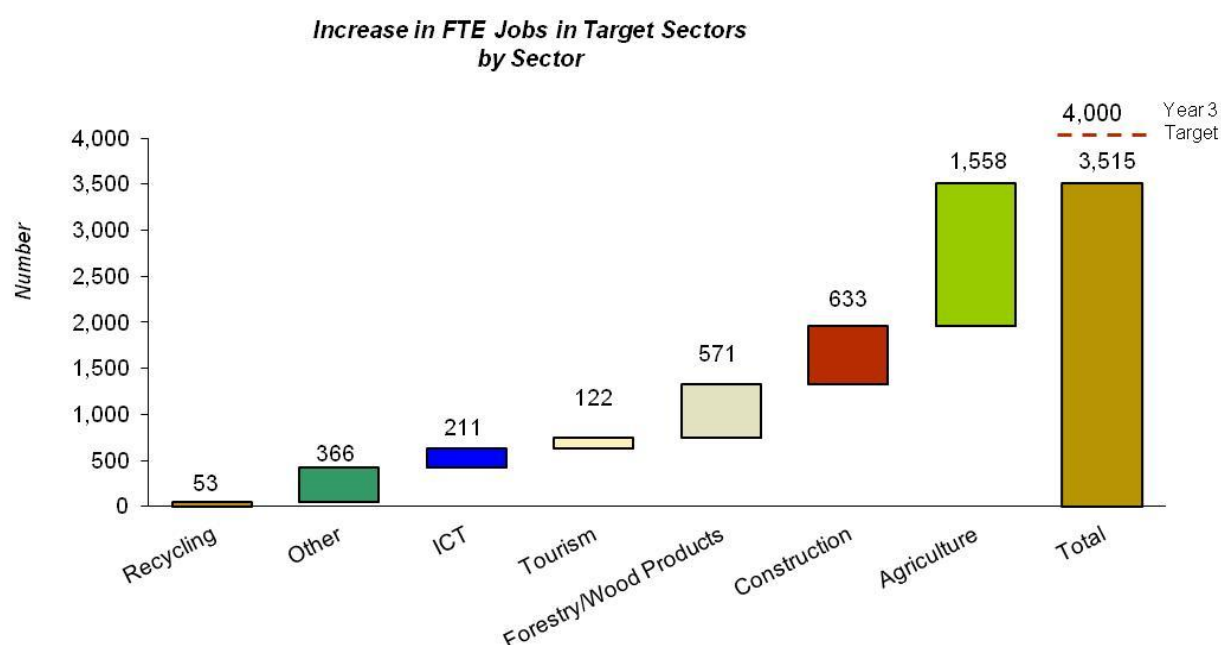
Definition of the indicator: Number of jobs created, disaggregated by target enterprise microenterprises, and by sector, in terms of full-time equivalent jobs in target enterprises.

Person days of employment (part-time employment) are converted to annual full-time equivalent -FTE jobs using 225 days of labor per year.

Data Source: Data received from sector specialists.



Annual Results. The cumulative target for Year 3 is a 4,000 increase in FTE jobs. The cumulative increase of FTE jobs at KPEP client enterprises to date in Component One is 3,515 FTE jobs, which is below the Year 3 target. While KPEP is below its job creation target, the project has been able to increase 2.6 times the number of full time jobs compared with baseline number. The multiplier effect for the total increase in employment for the LOP is 5,179 FTE jobs, although when calculating multipliers not all sectors were included. Below is provided the structure of the LOP increase in FTE jobs by sector. The main contributors to this increase are the agriculture and construction sectors, while the wood products sector steadily increased its share of the overall FTE jobs increase.



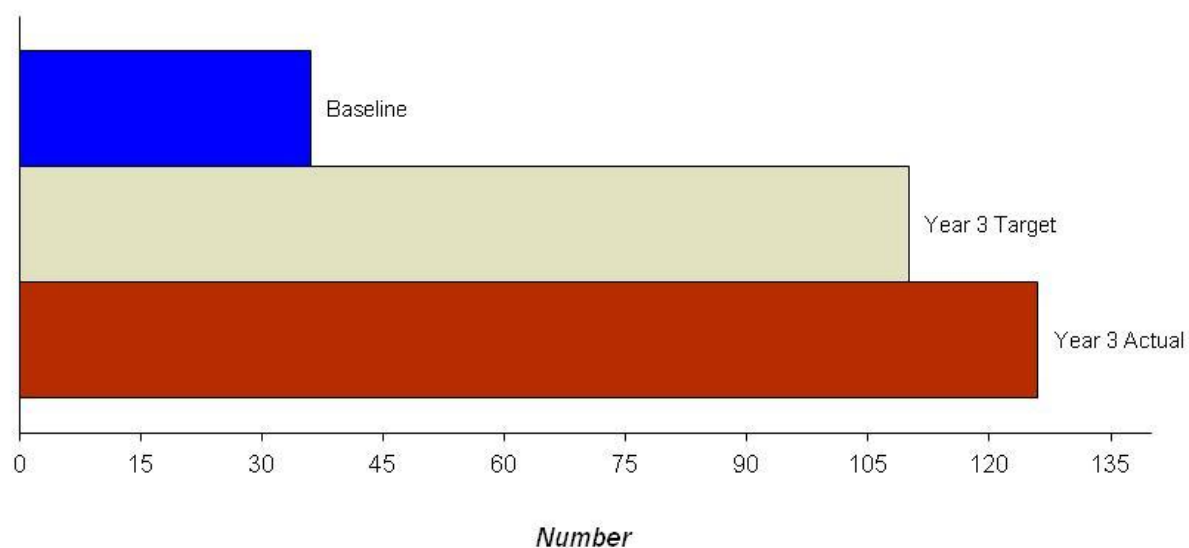
IR.1.3.1 (4) Increased Competitiveness of Key Sectors

Indicator: Number of enterprises assisted in target sectors

Definition of the indicator: Number of enterprises assisted directly by the project, disaggregated by microenterprise.

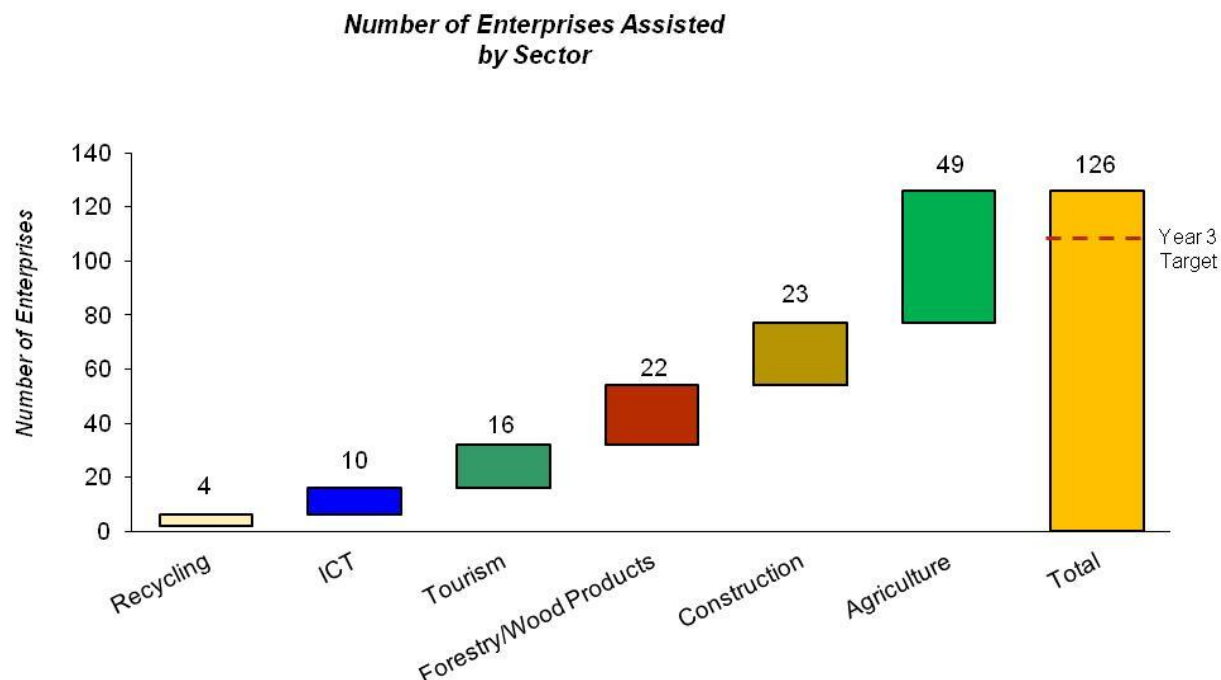
Data Source: Data were received from sector specialists.

Number of Enterprises Assisted in Target Sectors



Annual Results. To date, there are 126 direct-supported KPEP enterprises. These companies have signed cooperative agreements with KPEP and receive continuous support from KPEP. In return, these companies provide KPEP with their quarterly data on their key performance indicators. The cumulative target number for Year 3 is set at 110 enterprises. During this quarter alone, this number increased by 10 new enterprises. Most of these companies received support from the SAF component during Year 3 of the project. However, KPEP's reach in the private sector is much broader. KPEP's activities reach more than 670 companies, as reported under another Performance Indicator.

The below provides a breakdown of KPEP's direct client enterprises, by sector.

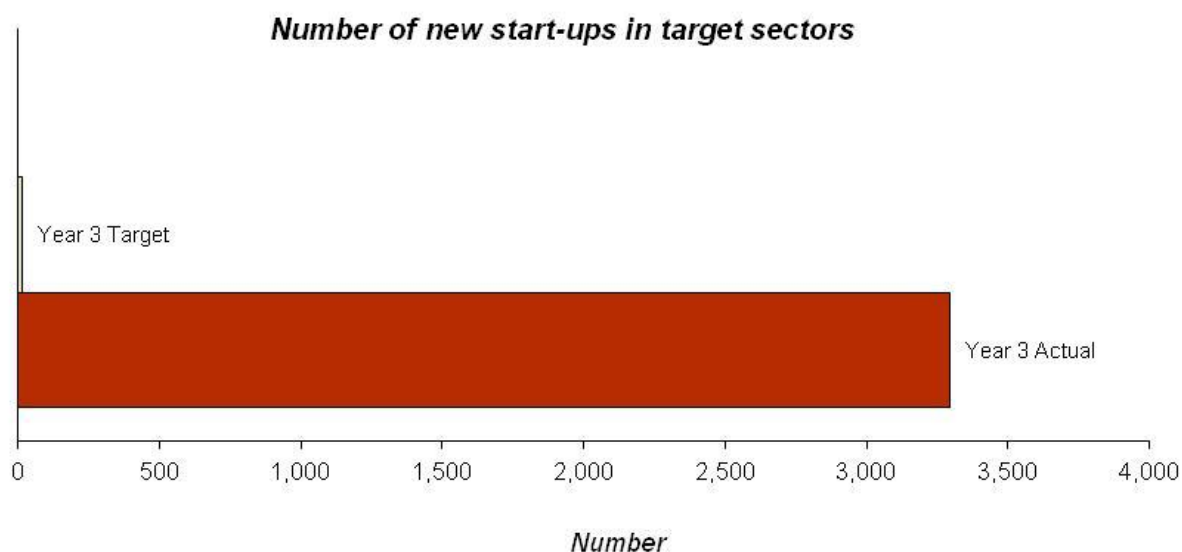


IR.1.3.1 (5) Increased Competitiveness of Key Sectors

Indicator: Number of new start-ups in target sectors, Kosovo wide

Definition of the indicator: Number of new start-ups, disaggregated by microenterprise and sector.

Data Source: Data were received from the Agency for Business Registry (ABRK) of the Ministry for Trade and Industry (MTI).



Annual Results. The data were collected from the Agency for Business Registry. The data cover the period from October 2010 to September 2011. During this period there were 3,292 new businesses registered in the sectors and sub-sectors in which KPEP is working or is indirectly linked with its activities:

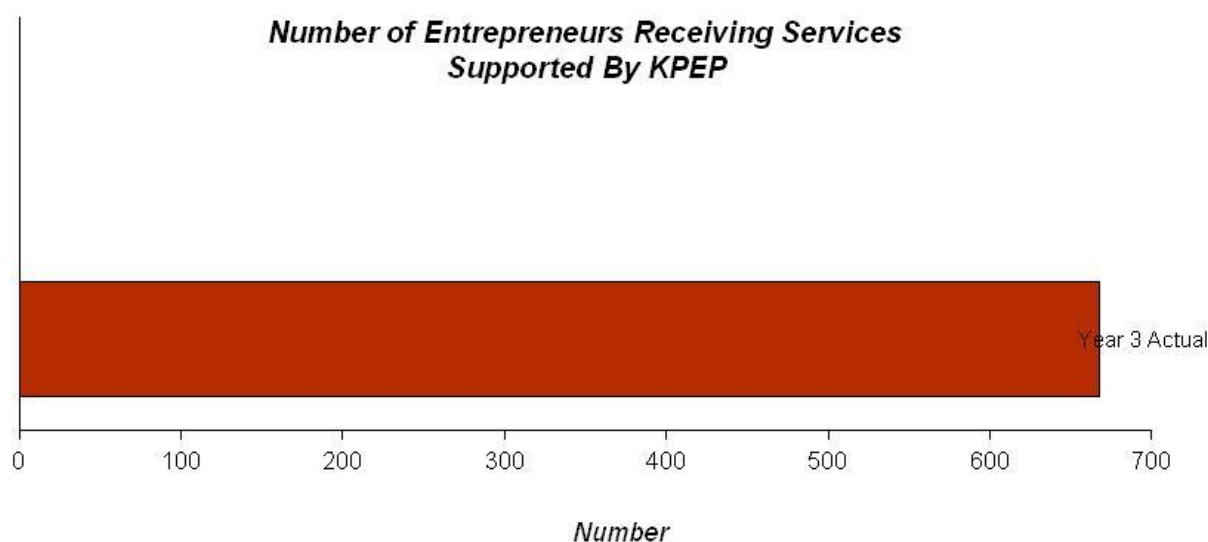
Sector/Subsector	Number of businesses registered
Agriculture	283
BSS	172
Construction, Buildings	677
Construction materials	134
Forestry	24
Fruits and vegetables	21
ICT	248
Meat processing	17
Mining, Quarries	21
Food processing	130
Recycling	55
Road construction	52
Textiles	20
Tourism	419
Trade	875
Wine	4
Wood processing	140
Grand Total	3,292

IR.1.3.1 (6) Increased Competitiveness of Key Sectors

Indicator: Number of entrepreneurs receiving services supported by USAID

Definition of the indicator: Number of entrepreneurs receiving services directly by KPEP or indirectly through associations supported by USAID

Data Source: Data received from sector specialists.



Annual Results. Any service provided, other than training (which is reported under Indicator 1 on workforce development component) is included and reported under this indicator. The list of services provided, among others, includes: study tours, HACCP assessment survey, trade and business linkages, etc. To this list are added also those enterprises that are not direct KPEP clients but that received KPEP support through grants and sub-contracts. To date, a total of 668 entrepreneurs have received services supported by KPEP.

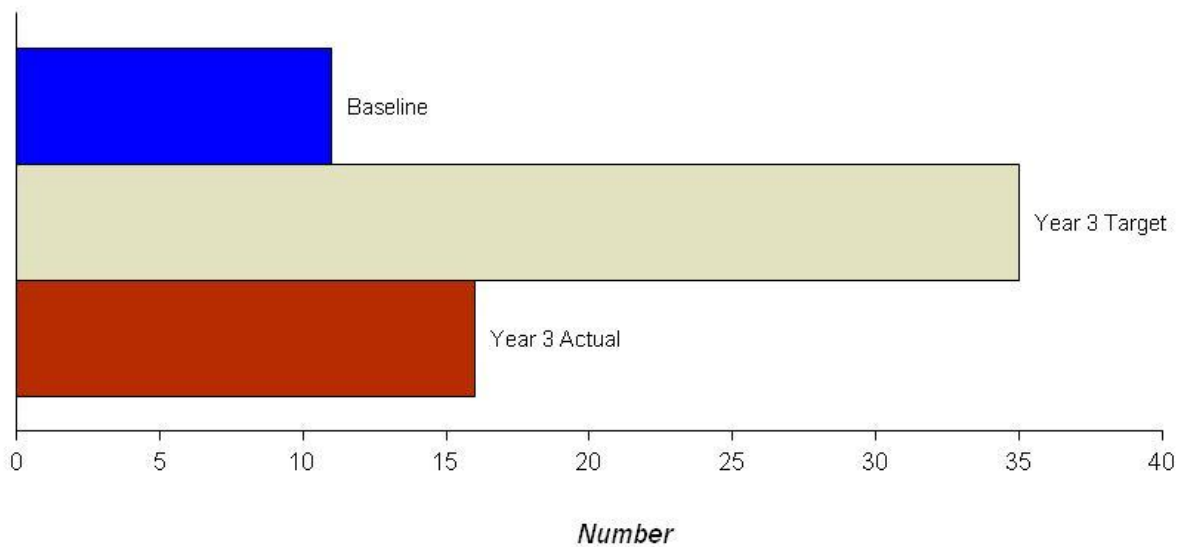
IR.1.3.2 (1) Improved and Demand Driven Business Support Services

Indicator: Number of enterprises and associations providing business support services

Definition of the indicator: Number of enterprises and associations providing business support services that are assisted by KPEP.

Data Source: Data received from sector specialists and BSS team.

***Number of enterprises and associations
providing business support services***



Annual Results. The total number of 16 BSPs are included in the list of KPEP-assisted BSPs. No new companies were added during the last quarter, due to the fact that the activities in Component Two were diverted from working with business consultants and other service providers to working with associations instead.

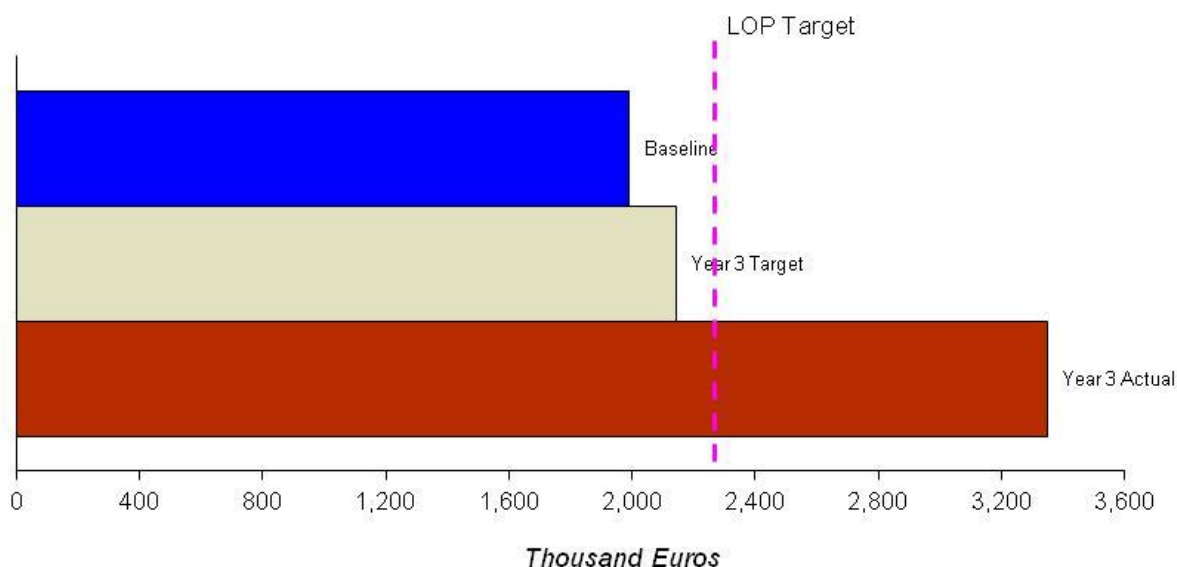
IR.1.3.2 (2) Improved and Demand Driven Business Support Services

Indicator: Increase of sales among BSPs

Definition of the indicator: Value of sales among targeted BSPs, supported by KPEP and disaggregated by export sales.

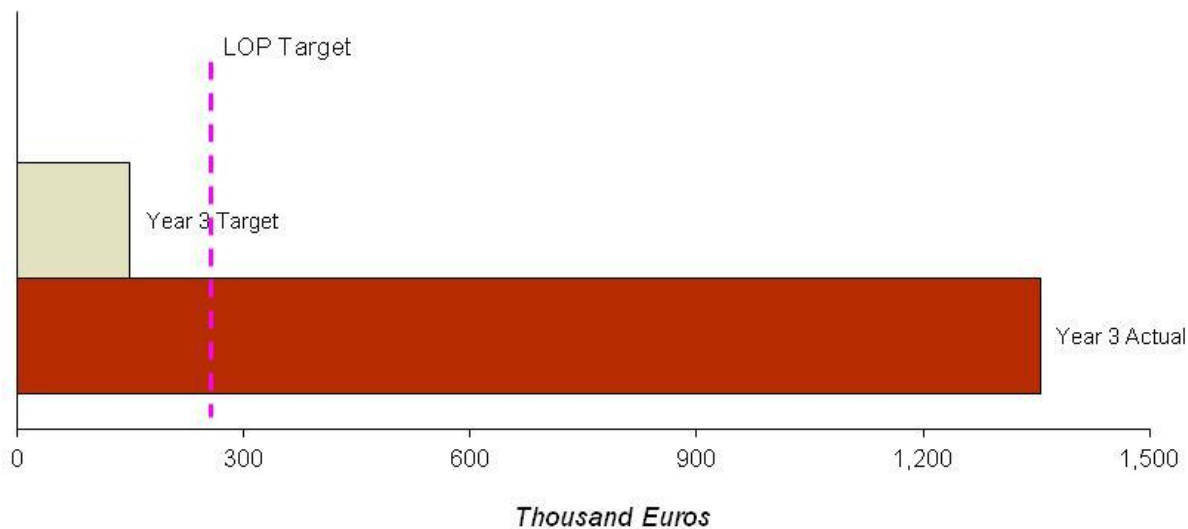
Data Source: Data received from sector specialists and BSS team.

Total value of sales among BSPs



Annual Results. The target cumulative increase in sales for Year 3 is 150,000 Euros over the baseline. The cumulative increase in sales to date is 1,355,659 Euros, which by far exceeds LOP target increase in sales of 200,000 Euros. During the last quarter, there was an increase in sales comparing to the baseline data of 63,599 Euros. The below graph presents the increase in sales, while the graph above represents the total sales value. The total value of sales among BSPs to date is 3,347,718 Euros, which is compared with a baseline of 1,992,060 Euros.

Increase in sales among BSPs



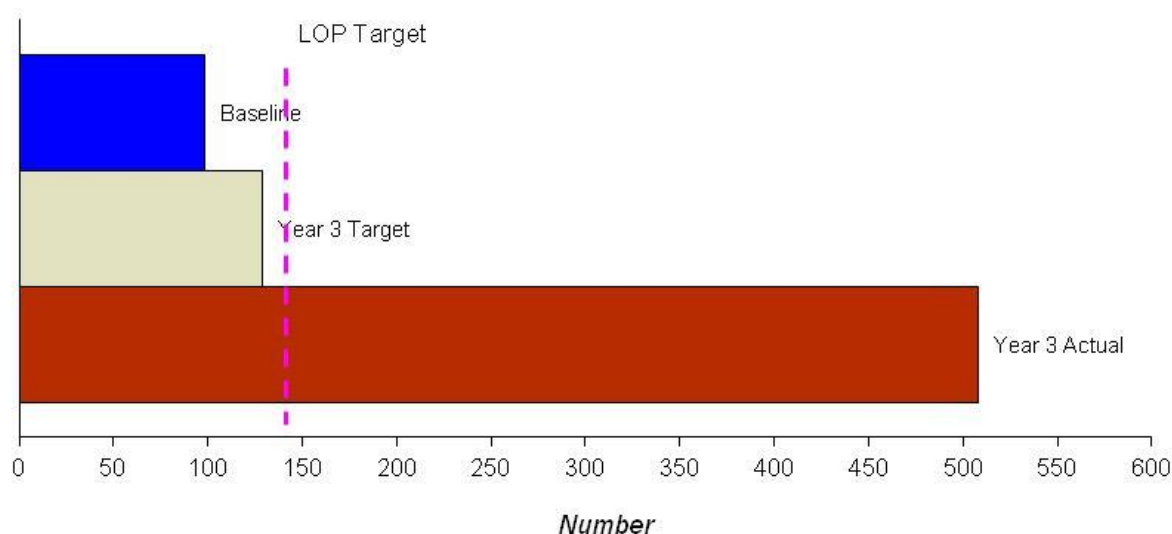
IR.1.3.2 (3) Improved and Demand Driven Business Support Services

Indicator: Increase in jobs created among USAID supported BSPs

Definition of the indicator: Number of jobs created, among target business service providers, in terms of full-time equivalent jobs. Person days of employment (part-time employment) are converted to annual full-time equivalent - FTE jobs using 225 days of labor per year.

Data Source: Data received from sector specialists and BSS team.

Increase in Jobs created by BSPs



Annual Results. The target cumulative increase in FTE jobs over baseline for the Year 3 is 31. The cumulative increase in FTE jobs to date is 410, which by far exceeds LOP target increase of 36 FTE jobs. The reason for this significant increase in FTE is explained by the addition of the time that interns spent working in KPEP-supported enterprises, under internship programs sponsored by USAID, to the overall number of FTE jobs.

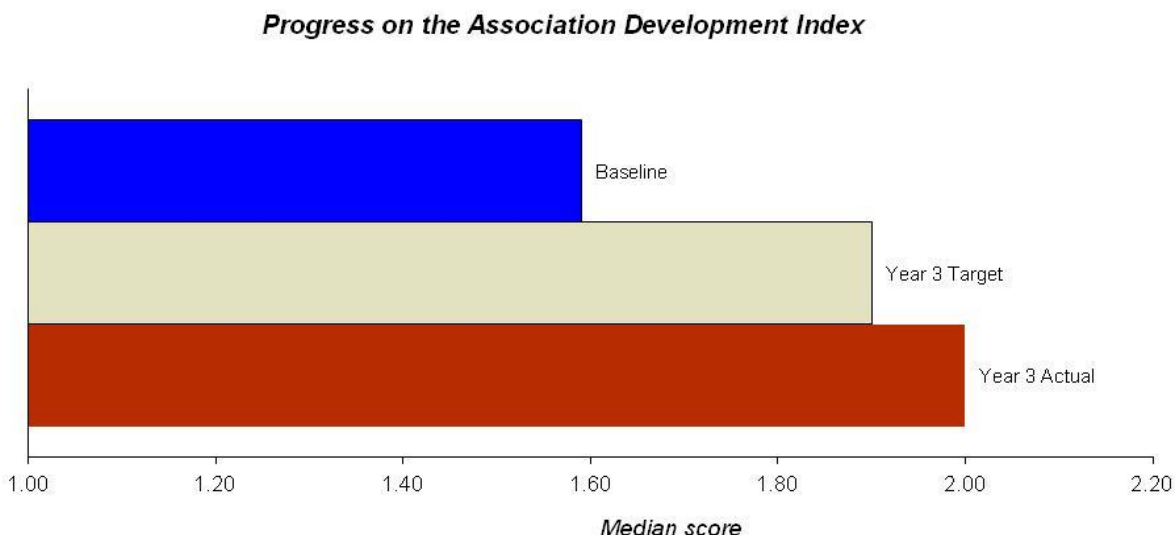
IR.1.3.2 (4) Improved and Demand Driven Business Support Services

Indicator: Progress on the Association Development Index

Definition of the indicator. Progress made by associations on eight elements of the Association Development Index for associations targeted by KPEP. The “Association Development Index as Applied to Selected Associations in Kosovo” assessment was conducted for associations of various businesses in the Republic of Kosovo. Sixteen business associations were chosen for this purpose. The data were collected using an evaluation tool/questionnaire, i.e. the Association Development Index, provided by USAID KPEP. The Index identified eight elements key to effective association management and was supplemented with questions to enhance understanding of each element. Evaluations of the individual associations were used to create the overall recommended baseline. That baseline was developed using statistical averages of

mean, median and mode. The recommended baseline is 1.59, which is the median score. The idea is to conduct this type of assessment each year to monitor the progress of associations.

Data Source: Annual survey conducted in August 2011.



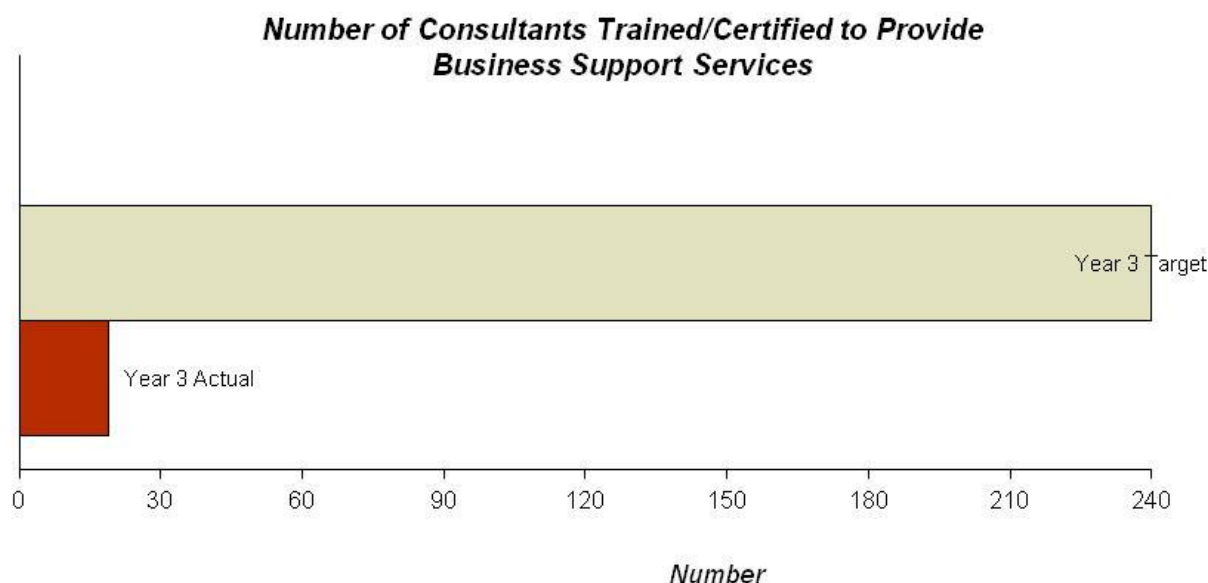
Annual Results. The first and second ADIs were published in year 2009, in January and October, respectively. By the end of 2009, modest improvements were observed—as of January 2009, the assessed mean score was 1.75; by October 2009 it had increased to 1.88. Throughout this “gap period,” between the second and most recent ADI Reports, the mean score, which reflects eight functional elements, has increased by 6.15 percent. Associations are rated through a process of interviews and careful research. The survey team gathered the information during face-to-face meetings with the highest representatives of each association. The process evaluates their functionality based on eight elements: Effort to Expand Financial Resources; Organizational Capacity; Financial Management; Strategic Planning; Data & Analysis; Networking; Member Services; Public Relations and Advocacy. Later, a similar questionnaire is provided to the association for the purpose of “self-evaluation” through which a sense of objectivity is achieved and both points of view are taken into consideration so as to provide a fuller picture of the actual progress. This year, all associations were interviewed and though the project received back just 70% of the self-evaluation reports. The average score for the general functionality of associations for August 2011 is 2.00 (compared with the 1.88 baseline). There was improvement in all areas of functionality with the largest emphasis on Strategic Planning and Organizational Capacities and less on Expanding the Financial Resources and Public Relations and Advocacy.

IR.1.3.2 (5) Improved and Demand Driven Business Support Services

Indicator: Number of consultants trained/certified to provide business support services

Definition of the indicator: Number of consultants trained/certified to provide business support services, trained by KPEP or a target BSP, and supported by USAID.

Data Source: Data received from sector specialists and BSS team.



Annual Results. The cumulative target for the number of consultants trained or certified to provide business support services for Year 3 is 240. No changes were reported during this year, since USAID asked KPEP to deemphasize work with consulting firms. The actual result presented in the chart remains the same as in the previous annual report. During Year 1, 19 consultants were certified in the “Kosovo Premier Advisor” training course. No changes are anticipated until the project end.

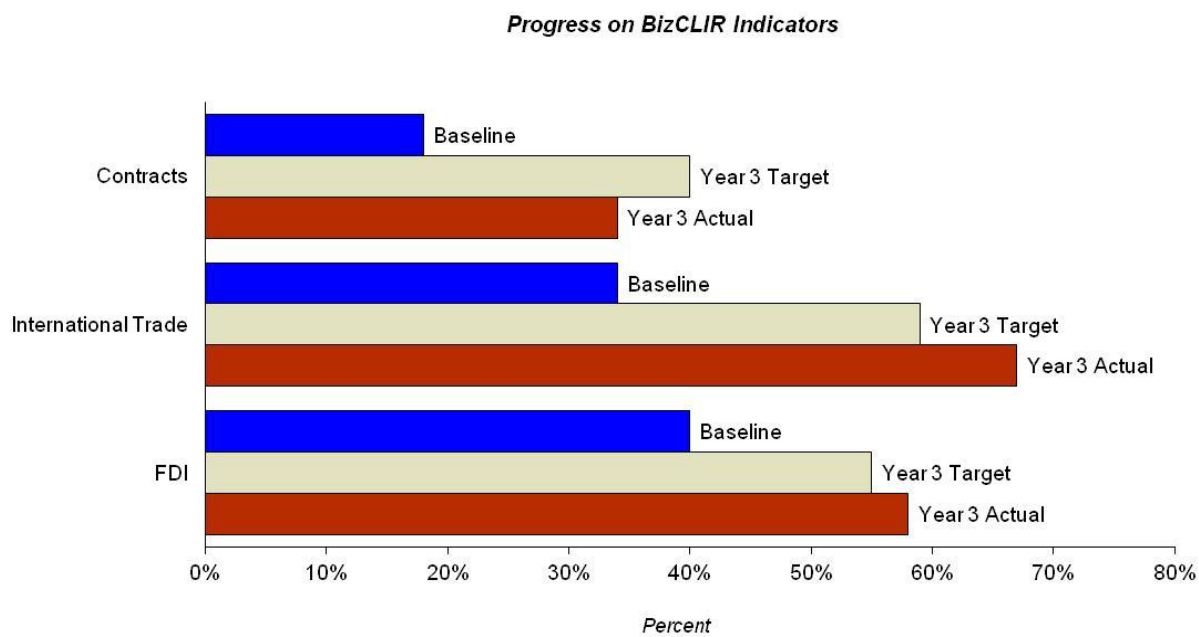
IR.1.3.3 (1) Improved Business Operating Conditions

Indicator: Progress on the Business Environment Index (BizClir)

Definition of the Indicator: The mechanism for monitoring the BEE is the set of Commercial Legal Institutional Reform Assessment Indicator scores compiled for USAID in 2004 and updated in 2006. A 2009 update conducted by KPEP established a baseline, and subsequent

updates will chart progress of indicators and subcategories relevant to KPEP activities each year.

Data Source: Annual survey was conducted in January 2010 to update the BizClir Index for 2009.



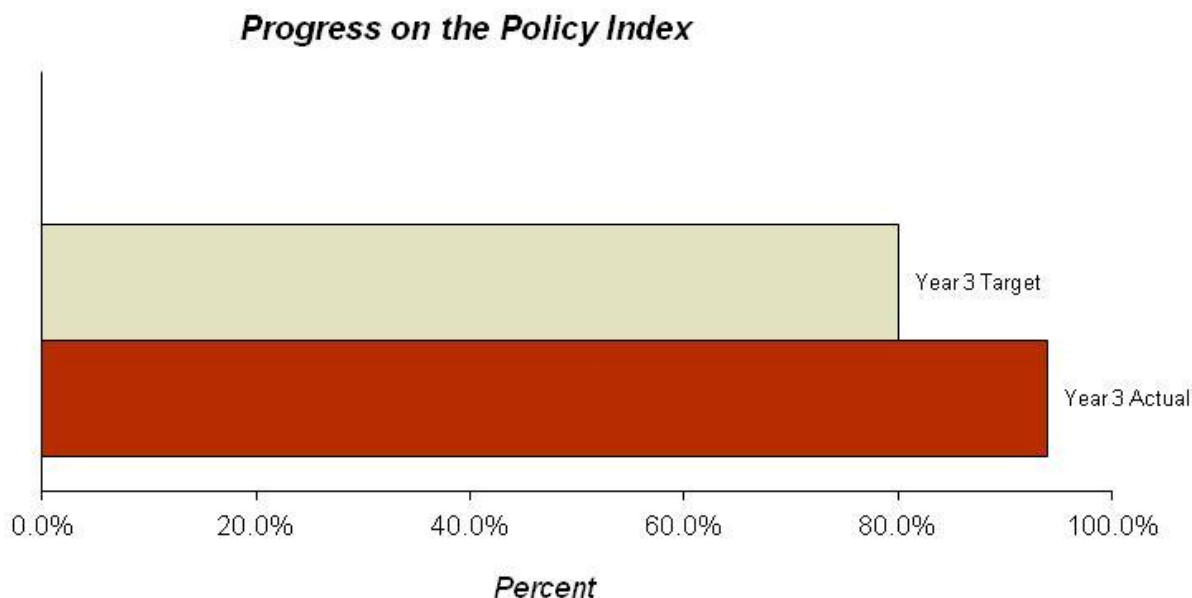
Annual Results. KPEP will not conduct any survey regarding this indicator. BEEP, a new USAID project, will follow up on this task.

IR.1.3.3 (2) Improved Business Operating Conditions

Indicator: Progress on the policy index

Definition of the Indicator. The number of policies that have met or exceeded established targets on the policy index using percentage of completion.

Data Source: Data received from BEE team.



Annual Results. The overall score for all policies to date is 94%, calculated as weighted average for completion of all policies taken together. The target set for the Year 2 on Policy index is set at 80%. The main activity of the BEE component was the work on the Draft Law on Construction that has been developed by BEEP. KPEP is in concurrence with most of the new version. However, KPEP also provided some comments and suggestions to both BEEP and USAID regarding certain issues that need further clarification and development.

IR.1.3.4 (1) Improved Capacity of the Workforce to Engage in Employment

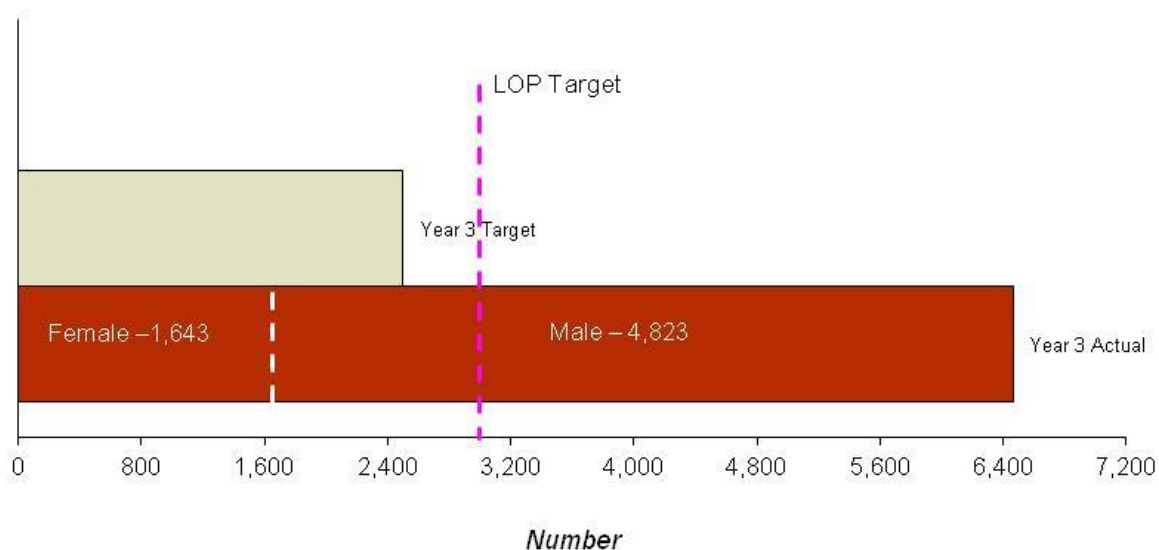
Opportunities

Indicator: The number of individuals trained through USAID-sponsored training

Definition of the indicator: The number of individuals trained, disaggregated by gender, age, ethnicity, sector, type of training, etc.

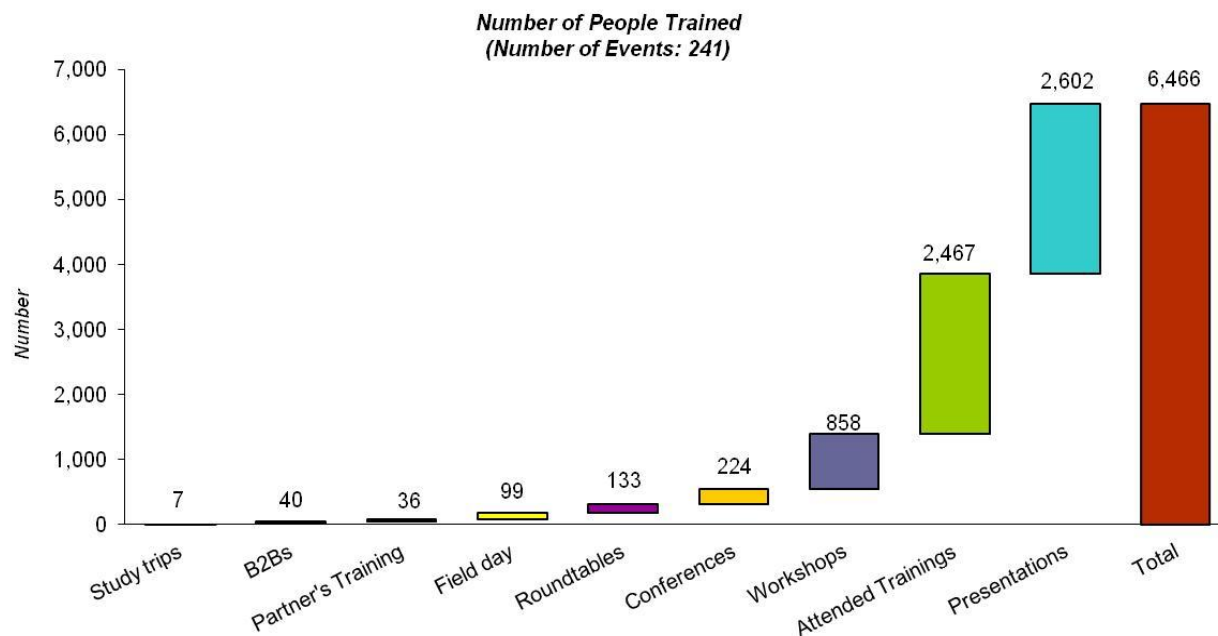
Data Source: Data received from sector specialists and WFD team.

Number of People Trained



Annual Results. To date, the number of people trained is 6,466, thus exceeding the LOP target of 3,000 people trained. From the total number of people trained during the year, 4,823 were male and 1,643 female; moreover, 266 were from minority areas, and 1,908 were below 25 years old.

Below is the chart that presents number of training events, and number of people trained by training category for the LOP.



IR.1.3.4 (2) Improved Capacity of the Workforce to Engage in Employment Opportunities

Indicator: Number of training certifications

Definition of the indicator: Number of training certifications earned by participants for completing the training.

Data Source: Data received from sector specialists and WFD team.



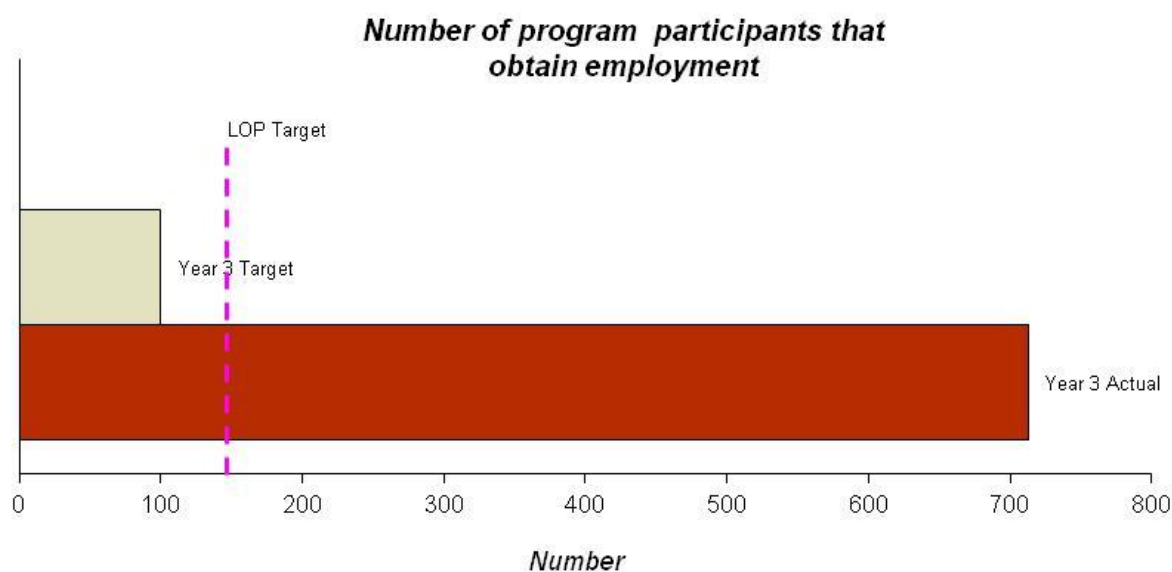
Annual Results. To date, the number of training certifications earned by participants for completing training is 711. During this quarter alone, 252 individuals who participated in USAID-supported training activities received certificates of completion.

IR.1.3.4 (3) Improved Capacity of the Workforce to Engage in Employment Opportunities

Indicator: Number of program participants who obtain employment

Definition of the indicator: Number of program participants who obtain employment, disaggregated by gender and ethnicity.

Data Source: Data received from sector specialists and WFD team.



Annual Results. To date, a total of 713 people have obtained employment with the support of KPEP. During this quarter alone, 274 people gained employment.

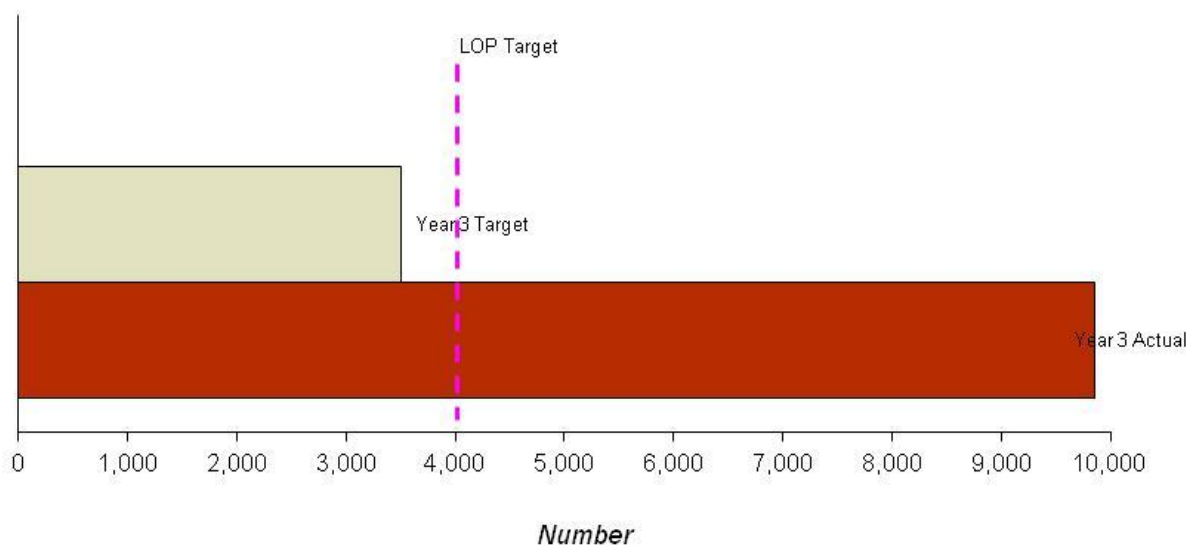
IR.1.3.4 (4) Improved Capacity of the Workforce to Engage in Employment Opportunities

Indicator: Number of individuals provided with services

Definition of the Indicator: Number of individuals provided with services, disaggregated by type of service: counseling, referrals, placement, gender and ethnicity. It excludes the number of people trained, since that number is reported under indicator IR.1.3.4 (1).

Data Source: Data received from sector specialists and WFD team.

Number of Individuals Provided with Services



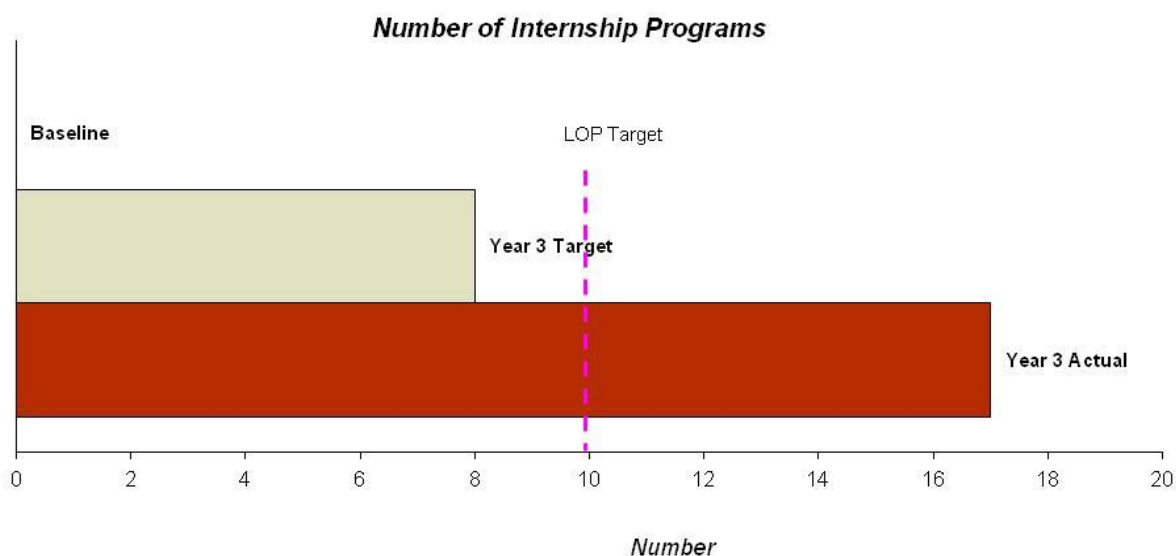
Annual Results. To date, the number of individuals provided with services is 9,859. This number includes for the most part individuals who participated in trade fairs supported by USAID. During this quarter, 410 new individuals were supported by KPEP/USAID.

IR.1.3.4 (5) Improved Capacity of the Workforce to Engage in Employment Opportunities

Indicator: Number of Internship programs

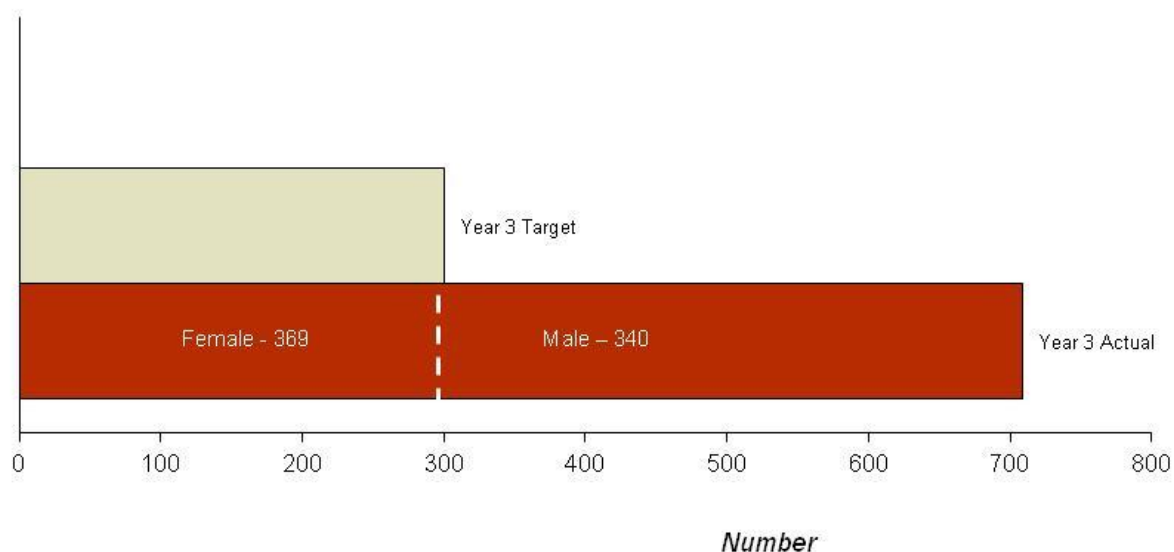
Definition of the Indicator: Internships include any sort of embedded training or on-the-job training.

Data Source: Data received from sector specialists and WFD team.



Annual Results. To date, KPEP has organized 17 different activities related to internships. Two programs that were reported as internships were reclassified as other trainings since they did not include an internship component. Some of the internship programs that were implemented during the year include: Entrepreneurship training program (Phase 2); Accounting and Financial Analysis (Phase 4); Business Women Training; HEOTC; Tourism Job Fair; HACCP training; Wood Processing Internship (Phase 2); Welders Training Program; ICT internship; and ICT-Android Training. There were in total 709 interns (340 male and 369 female).

Number of Students in Internship Programs

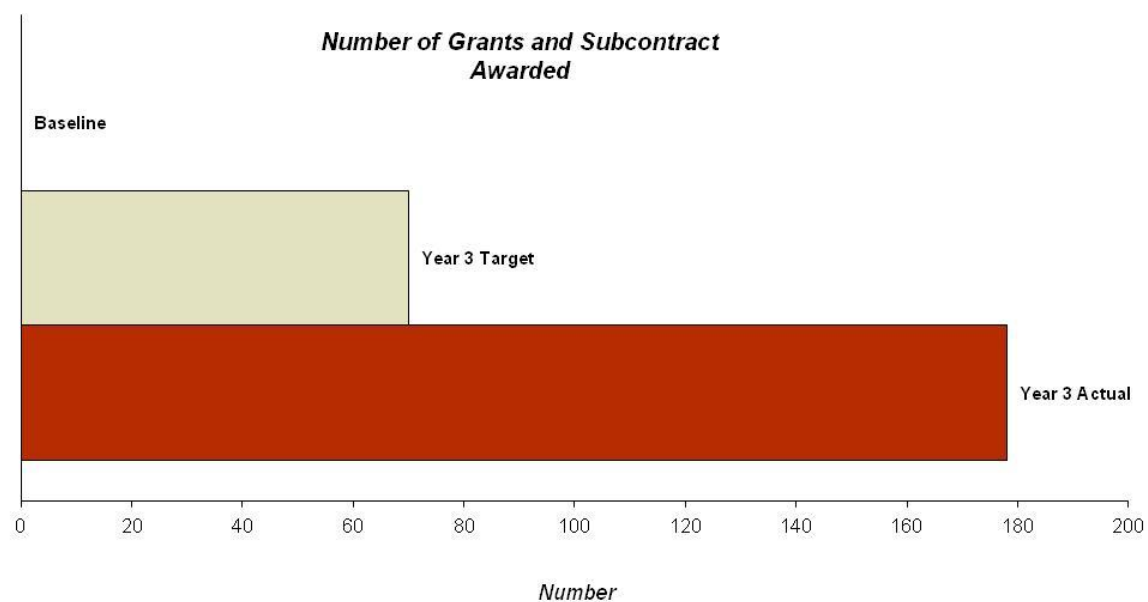


Strategic Activities Fund

Indicator: Number of grants/sub-contracts

Definition of the Indicator: Number of grants and sub-contracts awarded.

Data Source: Data received from SAF specialist.

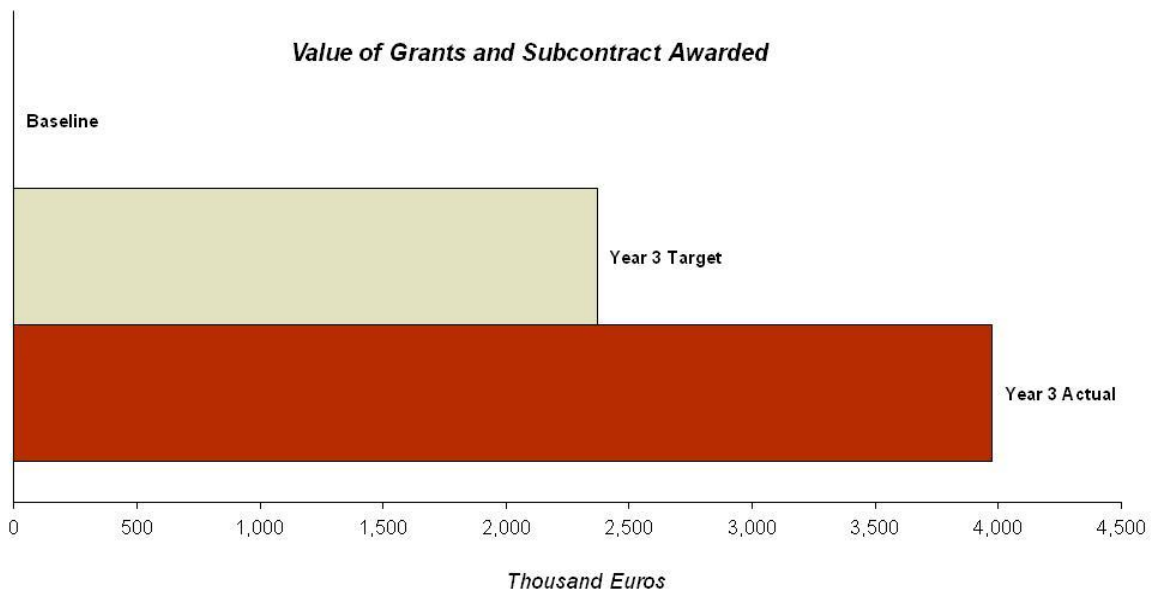


Annual Results. To date, KPEP supported its beneficiaries with 60 sub-contracts and 117 grants.

Indicator: Value of grants and sub-contracts

Definition of the Indicator. Value of grants and sub-contracts awarded.

Data Source: Data received from SAF specialist.



Annual Results. To date, KPEP supported its beneficiaries with 918,501 Euros in sub-contracts and 3,054,526 Euros in grants.

Annex 2: PMP Report-Annual Goals and Results

SO# IR#	SO Name	Unit measure	Baseline Year	Baseline Value	2009 Target	2009 Actual	2010 Target	2010 Actual	2011 Target	2011 Actual	2012 Target	2012 Actual
1.3	Accelerated Growth of Private Sector											
Indicators												
1 (AR)	Exports as % of imports, by sector	Percent	2008	10.20	11.00	11.20	11.50	12.80	12.00	13.93	13.00	0.00
2	Foreign direct investment, by sector	Thousand Euros	2008	357,400	430,000	291,500	451,000	354,300	475,000	413,402	500,000	0
3	Value of sales, by sector	Thousand Euros	2008	4,418,000	4,900,000	4,552,795	5,400,000	3,294,933	6,000,000	10,687,247	6,700,000	0
4	Number of people employed, by sector	Number	2008	481,000	488,000	496,708	512,000	517,594	523,000	532,745	534,000	0
1.3.1	Increased Competitiveness of Key Sectors											
Indicators												
1	Increase in sales in target sectors over the baseline	Euros	2008	158,367,019	8,000,000	13,177,698	20,000,000	41,003,603	40,000,000	71,513,204	50,000,000	0
	% increase in sales over	Percent	2008	0	9.40	25.70	16.40	33.60	25.30	45.20	41.00	0.00

SO# IR#	SO Name	Unit measure	Baseline Year	Baseline Value	2009 Target	2009 Actual	2010 Target	2010 Actual	2011 Target	2011 Actual	2012 Target	2012 Actual
	current baseline											
2	Increase in investments in target sectors	Euros	2008	0	3,200,000	9,570,686	8,000,000	15,256,256	16,000,000	26,237,767	20,000,000	0
3 (AR)	Increase in jobs created in target sectors	Number	2008	2,138	800	293	2,000	1,590	4,000	3,515	5,000	0
4	Number of enterprises assisted in target sectors	Number	2008	36	61	47	85	66	110	126	140	0
5	Number of new start-ups in target sectors	Number	2008	0	7	448	12	663	16	3,292	20	0
6	Number of entrepreneurs receiving services supported by USAID	Number	2008	0	0	496	500	539	TBD	668	TBD	0
1.3.2	Improved and Demand Driven Business Support Services											
Indicators												
1	Number of enterprises and associations providing business support services	Number	2008	11	20	15	30	15	35	16	40	0
2	Increase of sales among BSPs	Euros	2008	1,992,060	40,000	236,566	110,000	752,302	150,000	1,355,659	200,000	0

SO# IR#	SO Name	Unit measure	Baseline Year	Baseline Value	2009 Target	2009 Actual	2010 Target	2010 Actual	2011 Target	2011 Actual	2012 Target	2012 Actual
3	Increase in jobs created among USAID supported BSPs	Number	2008	98	8	23	18	74	31	410	36	0
4	Progress on the Association Development Index	Median score	2008	1.59	1.6	1.65	1.7	1.65	1.9	2.00	2	0
5	Number of consultants trained/certified to provide business support service	Number	2008	0	70	19	150	19	240	19	300	0
1.3.3	Improved Business Operating Conditions											
Indicators												
1	Progress on the Business Environment Index (BizCLIR)											
1.1	Contracts	Percent	2008	18	25	0	32	34	40	34	50	0
1.1.1	Supporting Institutions (B.3)	Percent	2008	10	15	0	19	21	24	21	30	0
1.1.2	Social Dynamics (B.4)	Percent	2008	26	35	0	44	41	55	41	69	0
1.2	International Trade	Percent	2008	34	41	0	49	67	59	67	70	0
1.2.1	Legal Framework (H.1)	Percent	2008	41	45	0	53	82	63	82	74	0

SO# IR#	SO Name	Unit measure	Baseline Year	Baseline Value	2009 Target	2009 Actual	2010 Target	2010 Actual	2011 Target	2011 Actual	2012 Target	2012 Actual
1.2.2	Implementing Institutions (H.2)	Percent	2008	27	40	0	47	45	56	45	65	0
1.2.3	Supporting Institutions (H.3)	Percent	2008	35	40	0	47	73	56	73	65	0
1.2.4	Social Dynamics (H.4)	Percent	2008	34	40	0	50	61	62	61	76	0
1.3	Foreign direct investment, by sector	Percent	2008	40	48	0	52	58	55	58	60	0
1.3.1	Legal Framework (K.1)	Percent	2008	43	45	0	49	74	52	74	57	0
1.3.2	Implementing Institutions (K.2)	Percent	2008	36	45	0	49	53	52	53	57	0
1.3.3	Supporting Institutions (K.3)	Percent	2008	54	60	0	65	76	70	76	76	0%
1.3.4	Social Dynamics (K.4)	Percent	2008	28	40	0	43	43	47	43	50	0%
2	Progress on the policy index	Percent	2008	0	70	72	75	92	80	94	85	0
1.3.4	Improved Capacity of the Workforce to Engage in Employment Opportunities											
Indicators												
1	The number of individuals trained through USAID	Number	2008	0	700	1,620	1,400	4,183	2,500	6,466	3,000	0

SO# IR#	SO Name	Unit measure	Baseline Year	Baseline Value	2009 Target	2009 Actual	2010 Target	2010 Actual	2011 Target	2011 Actual	2012 Target	2012 Actual
	sponsored training											
2	Number of training certifications	Number	2008	0	80	20	160	252	275	711	325	0
3	Number of program participants that obtain employment	Number	2008	0	TBD	2	20	135	100	713	150	0
4	Number of individuals provided with services	Number	2008	0	800	7,326	1,600	9,078	3,500	9,859	4,000	0
5	Number of internship programs	Number	2008	0	3	3	6	13	8	17	10	0
Strategic Activities Fund												
Indicators												
1	Number of grants/sub- contracts	Number	2008	0	20	26	45	66	70	177	90	0
2	Value of grants and sub- contracts	Euros	2008	0	400,000	447,837	1,750,000	1,335,357	2,370,000	3,973,027	2,625,000	0

Annex 2: PMP Report-Quarterly Results

SO# IR#	SO Name	Unit measure	Baseline Year	Baseline Value	2011 Target	Q1 2011 Actual	Q2 2011 Actual	Q3 2011 Actual	Q4 2011 Actual	2011 To Date
1.3	Accelerated Growth of Private Sector									
Indicators										
1 (AR)	Exports as % of imports, by sector	Percent	2008	10.20	12.00	14.20	14.20	14.57	13.93	13.93
2	Foreign direct investment, by sector	Thousand Euros	2008	357,400	475,000	0	0	0	413,402	413,402
3	Value of sales, by sector	Thousand Euros	2008	4,418,000	6,000,000	808,320	1,234,974	7,633,051	1,010,902	10,687,247
4	Number of people employed, by sector	Number	2008	481,000	523,000	2,663	4,709	5,102	2,677	15,151
1.3.1	Increased Competitiveness of Key Sectors									
Indicators										
1	Increase in sales in target sectors	Euros	2008	132,316,729	40,000,000	8,899,602	311,981	9,750,791	11,547,227	30,509,601
2	Increase in investments in target sectors	Euros	2008	0	16,000,000	2,085,389	1,485,732	2,476,689	4,933,701	10,981,511
3 (AR)	Increase in jobs created in	Number	2008	1,801	4,000	198	459	566	702	1,925

SO# IR#	SO Name	Unit measure	Baseline Year	Baseline Value	2011 Target	Q1 2011 Actual	Q2 2011 Actual	Q3 2011 Actual	Q4 2011 Actual	2011 To Date
	target sectors									
4	Number of enterprises assisted in target sectors	Number	2008	36	110	6	3	41	10	60
5	Number of new start-ups in target sectors	Number	2008	0	16	0	0	0	3,292	3,292
6	Number of entrepreneurs receiving services supported by USAID	Number	2008	0	TBD	25	0	104	0	129
1.3.2	Improved and Demand Driven Business Support Services									
Indicators										
1	Number of enterprises and associations providing business support services	Number	2008	11	35	0	1	0	0	1
2	Increase of sales among BSPs	Euros	2008	1,573,702	150,000	169,538	217,238	152,982	63,599	603,357
3	Increase in jobs created among USAID supported BSPs	Number	2008	95	31	3	29	4	300	336
4	Progress on the Association	Median	2008	1.59	1.9	0	0	0	2	2

SO# IR#	SO Name	Unit measure	Baseline Year	Baseline Value	2011 Target	Q1 2011 Actual	Q2 2011 Actual	Q3 2011 Actual	Q4 2011 Actual	2011 To Date
	Development Index	score								
5	Number of consultants trained/certified to provide business support service	Number	2008	0	240	0	0	0	0	0
1.3.3	Improved Business Operating Conditions									
Indicators										
1	Progress on the Business Environment Index (BizCLIR)									
1.1	Contracts	Percent	2007	18	40	0	0	0	0	0
1.1.1	Supporting Institutions (B.3)	Percent	2007	10	24	0	0	0	0	0
1.1.2	Social Dynamics (B.4)	Percent	2007	26	55	0	0	0	0	0
1.2	International Trade	Percent	2007	34	59	0	0	0	0	0
1.2.1	Legal Framework (H.1)	Percent	2007	41	63	0	0	0	0	0
1.2.2	Implementing institutions (H.2)	Percent	2007	27	56	0	0	0	0	0
1.2.3	Supporting Institutions (H.3)	Percent	2007	35	56	0	0	0	0	0

SO# IR#	SO Name	Unit measure	Baseline Year	Baseline Value	2011 Target	Q1 2011 Actual	Q2 2011 Actual	Q3 2011 Actual	Q4 2011 Actual	2011 To Date
1.2.4	Social Dynamics (H.4)	Percent	2007	34	62	0	0	0	0	0
1.3	Foreign direct investment, by sector	Percent	2007	40	55	0	0	0	0	0
1.3.1	Legal Framework (K.1)	Percent	2007	43	52	0	0	0	0	0
1.3.2	Implementing institutions (K.2)	Percent	2007	36	52	0	0	0	0	0
1.3.3	Supporting Institutions (K.3)	Percent	2007	54	70	0	0	0	0	0
1.3.4	Social Dynamics (K.4)	Percent	2007	28	47	0	0	0	0	0
2	Progress on the policy index	Percent	2008	0	TBD	93	93	93	94	94
1.3.4	Improved Capacity of the Workforce to Engage in Employment Opportunities									
Indicators										
1	The number of individuals trained through USAID sponsored training	Number	2008	0	2,500	591	209	1,307	176	2,283
2	Number of training certifications	Number	2008	0	275	159	0	252	48	459
3	Number of program	Number	2008	0	100	201	40	63	274	578

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SO# IR#	SO Name	Unit measure	Baseline Year	Baseline Value	2011 Target	Q1 2011 Actual	Q2 2011 Actual	Q3 2011 Actual	Q4 2011 Actual	2011 To Date
	participants that obtain employment									
4	Number of individuals provided with services	Number	2008	0	3,500	0	0	371	410	781
5	Number of internship programs	Number	2008	0	8	0	0	6	0	4
Strategic Activities Fund										
Indicators										
1	Number of grants/sub-contracts	Number	2008	0	70	56	22	23	10	111
2	Value of grants and sub-contracts	Euros	2008	0	2,370,000	713,301	541,357	465,609	917,403	2,637,670

Annex 3: USAID KPEP – Resource leveraging in FY 2011

Development assistance targeting increased output from the private sector, increased employment combined with improved overall economic indicators is a challenging task. Challenging because it requires the effective functioning of the value chains under development, improved support from the policy environment and critically, consistent messaging from the many donors usually engaged in the process. In order to be successful, an economic development project will need to be able to address all issues throughout the target value chains. A failure in this ability - hoping that “someone else” will resolve issues that are critical to the performance of target value chains - will generate unstable, unsustainable and erratic results and generate poor long term returns to development investment. The implication is therefore that the greater the synergy between development partners, the greater the ability to deal effectively with all critical issues, the greater the chances of project success. This evident synergy is also an indication of project effectiveness and relevance.

One measure of this synergy is the amount of support both financial and technical that other donors, public and private sectors provide to project activities. If others support the activities of the project specifically, then there is clearly a common understanding, shared goals and a joint commitment to achieving real results. This joint support can be called leverage and is a result of project presence – in other words it would not likely take place in the absence of the project and certainly not within the timeframe of the project.

This definition is similar to that outlined in the Acquisition and Assistance Policy Directive of USAID (AAPD) 04-16 describing GDA activities; where leverage may be proposed in a variety of forms, such as: anything of value that can be measured; financial contributions; third party contributions; donated services or property; and/or Intellectual property.

This leverage can come from non-traditional USAID partners who bring resources to a partnership. Leverage is new, non-public resources - whether money, technologies, or expertise - brought by the private sector and other non-traditional USAID partners to a GDA partnership. *Leverage is not cost share and it cannot be audited.* The most valuable leverage is significant in amount and in its ability to help USAID further its development impact, is a leverage match of USAID's investment in the partnership, provides resources that USAID would not be able to easily procure on its own and supplies resources that contribute to USAID's outcomes in a measureable way.³ Cost share by project clients is not counted as leverage even though it would not likely have been contributed in the absence of the project or in the time frame of the project activity.

Of investments KPEP has made during FY'11 that have a leverage value (other than own contribution in terms of a grant match), KPEP has supported a total investment value of \$8,796,290. Of this amount KPEP has contributed a total of \$377,589 in grant funding.

³ USAID guidance to leverage under GDA conditions <http://idea.usaid.gov/gp/leverage-overview>

Leveraged funding other than own investments amount to \$5,667,226 – or 64% of total investment. These leverage results are highlighted by sector in the table below.

Sector/Subsector	Total value (\$)	Funding/KPEP	Funding/Other USAID	Funding/Other donors	Own investment
Agriculture	6,398,078	262,382	0	4,179,848	1,955,848
Broiler	782,800	2,800	0	585,000	195,000
Dairy	4,169,318	56,000	0	2,939,548	1,173,770
Fruits and vegetables	1,272,960	148,582	0	605,300	519,078
Non-wood forest products	173,000	55,000	0	50,000	68,000
Construction	11,500	3,350	0	1,750	6,400
Construction Materials	11,500	3,350	0	1,750	6,400
Forestry and Wood processing	1,231,081	65,654	0	587,591	577,836
Forestry	24,081	15,113	0	7,600	1,368
Wood processing	1,207,000	50,541	0	579,991	576,468
ICT	197,446	15,279	0	182,167	0
ICT	197,446	15,279	0	182,167	0
Tourism	486,449	30,924	0	423,560	31,965
Tourism	486,449	30,924	0	423,560	31,965
WfD/BSS	471,736	0	0	292,310	179,426
WfD/BSS	471,736	0	0	292,310	179,426
Grand Total	8,796,290	377,589	0	5,667,226	2,751,475

Leveraged Funding – KPEP sectors FY'11

The most significant leverage has been in the agriculture sector with 73% of the total, but all KPEP sectors have succeeded in leveraging effectively during the reporting year. Leveraged support has come from six sources. These are highlighted in the table below.

Source of Leveraged Funding	Private sector	Central Government	Local government	Bilateral	Multilateral WB	Multilateral ECLO
Value of support (\$)	8,460	10,750	12,696	850,758	453,934	4,330,628

Leveraged Funding by funding source KPEP FY'11

Private sector leverage was achieved in 2 areas this year – B2B conferences where chambers of commerce, in this case the Izmir chamber in Turkey, co-financed an event; and in the establishment of the internet exchange point in Kosovo where the private sector financed physical inputs.

Central Government has become increasingly active in supporting activities, albeit at a very low level. Included in the leverage here is the dairy marketing campaign, internet exchange point (premises support) and a small contribution made in support of the construction sector attendance of a trade fair in Milan. Indications are that this sort of leverage will increase sharply during FY'12.

Local Government – the municipalities are also seen as good potential sources of leverage, and although small, are encouraging as municipal authorities see the value in developing private initiative. Quantified leverage was obtained from the Municipality of Peja in support of the annual street fair event. Municipal support is being felt however in at least 2 other municipalities, Strpce and Rahovec and the value of such leverage from this source will rise in the next reporting year.

Bilaterals have been increasingly engaged and have supported KPEP project activities with direct funding. This has been critical not only to client support but perhaps more importantly to the harmonizing of approaches to the benefit of the client.

Multilaterals have provided the highest level of support – World Bank though it local implementer the Community Development Fund and The European Community Liaison Office in Kosovo have both provided significant support to KPEP clients.

Total leverage from these sources is highlighted below.

Description of the project/activity	Total value of investment (\$)	Donor/Leverage Partner	Bilateral (\$)
Expanding and improving processing capacity of leafy herbs	173,000	Swiss/Danish Horticultural Project-HPK	50,000
First internet exchange point in Kosovo	125,000	Norwegian Government, Cisco Inc, Packet Clearing House, University of Pristina	114,640
Transparent raw milk sampling project	110,000	Swiss Solidar	70,000
Biomass for fuel	1,160,000	SECO (Swiss)	540,991

Education of forest owners children to manage Kosovo forests	24,081	SNV/Norwegian	7,600
CeBit International ICT Trade Show	72,446	GTZ, Swiss Import Promotion Program (SIPPO)	67,527
Total Leverage/Bilaterals	1,664,527		850,758

Bilateral Leveraged Funding KPEP clients FY '11

Support of the World Bank's Community Development Fund has been significant this year and leveraged support for activities that are complete is highlighted below:

Description of the project/activity	Total value (\$)	Multilateral WB through CDF (\$)
Business Expansion Grant	69,471	54,576
Improving milk yield through better feeding	30,000	20,000
Diversifying the dairy product line	34,000	20,000
Machine assisted handicraft project	22,000	15,000
Biomass for fuel	11,000	11,000
Supplying with precise table saw	25,000	13,000
Introduction of new technology in green house cultivation	9,600	3,600
Introduction of new technology in green house construction	12,000	12,000
Installation of greenhouse central heating	35,560	10,000
Vegetable processing line	120,000	12,000
Expand vegetable seedling cultivation	60,000	12,000
Start-up business grants	413,545	246,758
Purchase of vegetable processing equipment and cold chamber	50,000	12,000
Introduction of new technology for sterilization of processed fruits and vegetables	60,000	12,000
Total Leverage/ WB through CDF	952,176	453,934

Multilateral (World Bank) Leveraged Funding KPEP clients FY '11

The total value of projects completed with leveraged support in this category is \$952,176, with \$453,934 being leveraged from World Bank funds administered through the Community Development Fund in Pristina. KPEP provided the client introduction, assistance with the technical aspects of the business plan development and provided comfort to the funder that technical and client oversight would be covered.

Work with clients in developing proposals for ECLO grants has been particularly effective, with a total of \$4,330,628 having been granted to KPEP clients in support of business expansion. These grants have benefited the agriculture sector as well as the tourism sector and are highlighted in the table below. Total investment in the projects supported has been \$6,117,007.

Description of the project/activity	Total value (\$)	Multilateral ECLO (\$)
Wine Route and Wine Culture Development in South Kosovo	437,089	393,380
Expanding and improving the dairy processing capacity	900,034	527,647
Expanding and improving the potato processing capacity	925,800	531,700
Expanding and improving the dairy processing capacity	696,441	558,051
Expanding and improving the broiler processing capacity	782,800	585,000
Expanding and improving the dairy processing capacity	751,060	553,713
Expanding and improving the dairy processing capacity	710,983	531,137
Expanding and improving the dairy processing capacity	912,800	650,000
Total Leverage/ECLO	6,117,007	4,330,628

Multilateral (ECLO) Leveraged Funding KPEP clients FY '11